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Gemayel Demands Troop Withdrawal In Speech to UN

The Associated Press

UNITED NATIONS, New York — President Amin Gemayel of Lebanon demanded Monday that all foreign troops leave his country. Addressing the 157-nation General Assembly, he declared that outsiders had converted his country from a haven of peace into an arena of terror.

He also called for a settlement between the Palestinians and the Israelis that would give both full rights.

"I call for the immediate and unconditional withdrawal of all non-Lebanese forces from Lebanon," he said. "I call upon the world community to help Lebanon regain its real independence and rebuild its economy."

Mr. Gemayel, delivering his speech in English, said: "Competing ideologies in the Arab world, the Palestinian armed and uncontrolled presence in our midst, the recurring Israeli invasions and incursions into our land" contributed to "a continuing state of war in Lebanon since 1975."

"The war claimed the lives of more than 100,000 citizens," he said. "It destroyed cities, towns and villages. It brought foreign troops into our land. It divided our people, and converted Lebanon from a haven for culture and peace into an arena for terror and violence ....

"In the name of the Lebanese people, I want to tell you: We have had enough. Enough of bloodshed, enough of destruction, enough of dislocation and despair.

"Each country enjoys internal sovereignty. So should we. Each country depends on an effective army to defend its independence. So should we," the president said.

In calling for a settlement between Palestinians and Israelis, he said: "As we wish to live in peace and freedom in our land, so should the Palestinians live in peace and freedom and self-determination in their land, Palestine."

"As we cherish our independence, we also cherish the hope that Palestinians and Israelis, with the support of the world community, will reach a settlement that will allow them both to enjoy the fullness of rights."

Mr. Gemayel was expected to make the same demands later Monday before the Security Council.

Alfred Mady, Mr. Gemayel's special adviser, said the president would ask the Security Council for a three-month extension in the stay of the UN peacekeeping force of Americans, French and Italians in southern Lebanon.

Mr. Gemayel, the first Lebanese president to make an official visit to the United States, is scheduled to meet with President Ronald Reagan on Tuesday in Washington, discussing efforts toward getting Syrian, Israeli and Palestinian forces out of Lebanon. The United States has been attempting to mediate a withdrawal of those forces.

Syria and Israel have said they are willing to withdraw from Lebanon, but Israel insists that Palestine Liberation Organization guerrillas still in northern and eastern Lebanon be the first to leave.

Mr. Gemayel is also seeking help in paying for an estimated $12 billion of reconstruction for Lebanon. Housing Minister Bahaeddin Bsat and the chairman of the Council for Development and Reconstruction, Mohammed Atallah, accompanied Mr. Gemayel on his trip and were expected to be present at his talks with U.S. officials.

On Wednesday, Mr. Gemayel is scheduled to fly to France for talks with President François Mitterrand. On Thursday, he is to arrive in Rome for meetings with President Sandro Pertini and a private audience with Pope John Paul II.

■ Peacekeepers in Impasse

Reuters reported Monday from Beirut that the Israeli and Lebanese armies were in an apparent impasse over who would keep the peace between feuding Christians and Druze Moslems in the Chuf mountains, about 15 kilometers (10 miles) southeast of Beirut.

The Lebanese moved an advance squad of lightly armed commandos into Kfar Matta, center of last week's sectarian fighting, but plans for a full deployment were held up by the continued Israeli presence there.

On Friday, Israel deployed tanks and troop carriers along the sandbagged frontline between the Christian and Druze quarters of Kfar Matta, and in three other mountain villages, to end artillery and machine-gun exchanges. A Lebanese lieutenant said the Lebanese Army could not enter the town until Israel pulled out. But an Israeli officer said he had no orders to leave.

The Associated Press
President Amin Gemayel speaking Monday at the UN.

Begin Says Israel Is 'Secure'

He Again Rejects Giving Up Occupied Territories

By William E. Farrell
New York Times Service

JERUSALEM — Prime Minister Menachem Begin told the Knesset on Monday that "for the first time" a state of security existed on all of Israel's borders with Arab countries.

In a speech formally reconvening the parliament, Mr. Begin said that Syrian losses in Lebanon to Israeli forces this summer showed that Syria "learned its lesson."

"It knows that it has no hope of defeating Israel," Mr. Begin said. "Jordan does not have the strength and, to the best of our knowledge, does not have the intention to attack Israel."

During the Israeli invasion of Lebanon that began June 6, Jordan "dispatched numerous cables for fear lest we attack it," Mr. Begin said.

"It was a groundless fear," the prime minister said, "it never entered our minds to attack Jordan. Our goal was to smite murderous organizations in Lebanon."

Mr. Begin said that "as a result of the policy of the government, conditions have been created for the first time for the maintenance of peace between ourselves and our neighbors on all of Israel's borders."

The prime minister said "the prospect of a peace treaty between Israel and Lebanon has been postponed — postponed but not abolished." Israel has a peace treaty with Egypt.

After ticking off the border situation as he saw it, he proclaimed: "If the conditions as presently created thanks to our policies continue to prevail, we will live in peace, our sword in its sheath."

He also urged the implementation of Israel's plan for administrative autonomy for the 1.3 million Palestinian Arabs living on the Israeli-occupied West Bank of the Jordan River and in the Gaza Strip. Under the plan, which the Egyptians have rejected in favor of one that would create a Palestinian entity, Israel retains security control of the territories while the Arabs administer their day-to-day affairs.

The prime minister rejected any relinquishing of the territories and, in implicit rebuffs, which he had made earlier, he dismissed the peace plan proposed by President Ronald Reagan as well as one issued at a recent meeting of the Arab League in Fez, Morocco.

The next phase of the Camp David peace process, which led to the treaty between Israel and Egypt, should be resumed, he said. That primarily concerns the autonomy talks. Since the Israeli invasion of Lebanon, Egypt has shown little inclination to resume them.

Referring to Camp David, Mr. Begin said "we have the right to expect of all factions concerned, and particularly of our American friends and allies, full commitment toward the agreement we signed."

He criticized plans, including one espoused by the opposition Labor Party, linking the fate of the occupied territories to Jordan.

"It is our duty to declare that anybody who supports the grotesque suggestion of the annexation of Judea and Samaria with the addition of Gaza to the Hashemite Kingdom of Jordan is an accessory, in fact, to the establishment of a Palestinian-PLO state even when he has promised by oath that this is not the intention," Mr. Begin said. He uses the biblical terms of Judea and Samaria to refer to the West Bank in support of his claim that the area historically belongs to the Jews.

Mr. Begin was attacked by the Labor opposition leader, Shimon Peres, who claimed the prime minister misrepresented the Labor Party plan. In addition, Mr. Peres said that Mr. Begin constantly rejected ideas and fostered a negative image of Israel abroad by his encouragement of the erection of Israeli settlements in the occupied Arab lands.

He accused Mr. Begin of "miserably handling" the Palestinian issue and said that the prime minister's intransigence was primarily responsible for the stalled autonomy talks.

■ Inquiry Team in Beirut

Israel Radio said Monday that members of Israel's judicial commission of inquiry into the Sabra and Chatila massacre visited Beirut to survey the refugee camps and nearby Israeli Army positions.

Cornell, Cambridge Scientists Win Nobel Prizes in Physics, Chemistry

By Philip J. Hilts
Washington Post Service

WASHINGTON — An American has won the Nobel Prize in physics this year for a mathematical theory explaining the odd changes in the behavior of matter at high temperature and high pressure, while the chemistry prize was won by a scientist in Britain who developed a method of deciphering the shapes of many biologically important molecules.

Kenneth Geddes Wilson, 46, a physicist at Cornell University, took the physics prize, and Aaron Klug, 56, a South African who has worked for 20 years at the Medical Research Council at Cambridge University's molecular laboratory, took the one in chemistry.

Mr. Wilson developed a simplified mathematical theory that allows physicists to predict the behavior of matter when it reaches "critical points" of temperature or pressure, such as the point at which a liquid turns to a gas, or a magnetic bar loses its magnetism.

Using only two critical numbers about the shape and the one-, two-, or three-dimensional nature of the matter, he was able to calculate curves that describe, for example, how the density of a hot liquid will fluctuate as its temperature rises toward the critical temperature at which it becomes vapor.

Mr. Wilson's mathematical method is so broad and powerful that it may be possible to apply it to things as different as the behavior of elementary particles like the quark — now thought to be the fundamental building blocks of all matter — up to the level of air turbulence around an airplane, and hurricanes, to the way metals mix together.

There were eight or more physicists who contributed background work to the development of the theory, including Michael Fisher of Cornell and Leo Kadanoff of the University of Chicago. But as the Royal Swedish Academy of Sciences said when it announced the award, Mr. Wilson took a different approach and solved the hundred-year-old problem "in a definite and profound way."

The other workers had only bits of an ad hoc theory that did not allow specific predictions to be made, but Mr. Wilson came up with a complete theory that allowed prediction and simplified the subject.

The announcement that Mr. Wilson had won the Nobel Prize was almost expected by his family and friends, according to his father, E. Bright Wilson, a retired professor of physical chemistry at Harvard University.

Mr. Wilson himself was not so sure, although he said, "I knew that I was a contender."

Aaron Klug's discovery in chemistry was of a method to figure out the shape of molecules important to life. It is the shape of biomolecules that determine what they do and how they do it — for example the hemoglobin molecule that has a "pocket" in which it can capture an oxygen atom to be carried through the bloodstream.

When trying to figure out the shape of important molecules, researchers have crystallized them and then passed X-rays through them to study the scatter-pattern of the X-rays. The ricochet pattern gave a clue to the three-dimensional shape of the molecules.

But many molecules resist being crystallized in that way, and so could not have their shape determined.

Mr. Klug opened up a new branch of the study of the shape of molecules by using an electron microscope to take pictures of the molecules as they lay in a thin, two-dimensional crystal film, and then extracting three-dimensional images of the molecules from that.

A picture of a molecule taken through an electron microscope is only very fuzzy and blurred. But Mr. Klug managed through mathematical methods to extract three-dimensional pictures of the molecules from the blurred, two-dimensional image. "It is like taking a thousand blurred pictures of a face and extracting from them enough information to make one clear image," said Carl Pabo of Johns Hopkins University.

AP
Kenneth C. Wilson

AP
Aaron Klug

Swedes Will Toughen Measures Against Subs

By Richard Halloran
New York Times Service

WASHINGTON — The Swedish government, angered and embarrassed by what it believes have been repeated incursions by foreign submarines, has ordered its navy to change tactics and seek to capture and humiliate future intruders, according to military specialists here.

The new rules of engagement are to become effective next July 1, when a new anti-submarine weapon, being developed in Sweden, will be ready, the specialists said Sunday. The Swedes would like to employ the new rules now but lack the weapons, they said.

But the specialists asserted that, even with a new weapon, the Swedish Navy would have to improve its ability to detect and then to locate precisely an intruding submarine and to prevent it from escaping, as they think one and possibly two did earlier this month.

The specialists said the Swedish Navy was not well-equipped for anti-submarine operations in seas that clearly favor submarines. The waters there have many layers of differing degrees of temperature and saltiness that distort sonar search beams, as well as metal debris on the bottom that deceives magnetic sensors and schools of fish that sound like submarines.

Although no details were disclosed, the new weapon was said to be similar to a charge of high explosive that would be detonated against an intruding submarine's hull to puncture it. The submarine would then begin to flood, not enough to sink but enough to prevent immediate repairs and thus to force it to the surface.

Once captured, the submarine's officers and sailors would be publicly embarrassed by the Swedes through widespread publicity and possibly by trials under international law, according to the specialists, who spoke on the condition that they not be identified.

The current rules of engagement, which are general orders governing the operations and tactics of military forces, instruct Swedish warships to locate intruding submarines and to force them to return to international waters in the Baltic Sea, the specialists said.

A former submarine officer in Washington said that Sweden had "some of the crummiest waters in the world" for ships searching for submarines.

The problem, he and other specialists said, stems in part from the heavy flow of fresh water into the sea, because so many rivers empty into the Baltic. This produces many layers of water with differing temperatures and saltiness.

A sonar beam searching for a submarine is deflected by the layers, the specialists said, making it almost impossible for it to travel in a straight line or for the sonar operator to know the exact location of a detected submarine.

The specialists said the water in the area in which the recent search was conducted was only 200 feet deep. That meant sonar beams reverberated off the bottom. In addition, the bottom was uneven, adding to the confusion.

Magnetic sensors were similarly fooled, the specialists said, because the ocean bottom was strewn with wrecks, garbage filled with metal, and other metal objects such as refrigerators. The sensors were unable to distinguish a submarine from other metal objects, they said.

Still another complication was sound from fish, which one specialist said "can mimic the sounds of submarines." That would have confused operators of hydrophones trolling under water. The specialists also said the hunted submarine might have deployed decoys to baffle the hunters.

Military specialists pointed to several other reasons why the Swedes had been unable to locate the submarine. They said the navy was organized and armed primarily for coastal defense against an amphibious invasion, rather than for anti-submarine operations.

They also said Sweden lacked listening devices and other sensors planted on the bottom of its waters.

In recent years, according to press reports from Sweden, there have been more than 50 sightings of foreign submarines in Swedish waters, most of them believed by officials to have been Soviet.

The most spectacular submarine incident took place a year ago, when a Soviet submarine went aground near a Swedish naval base. The crew was held for 10 days while the Swedish government lodged a strong protest with Moscow.

■ Izvestia Assails Swedish Media

The Soviet government daily Izvestia criticized the Swedish media Monday for suggesting that a suspected submarine near a Swedish naval base was from the Soviet Union, Reuters reported from Moscow.

"The authors of reports suggesting the Soviet Union or other socialist countries are involved in the activities of submarines in the Stockholm waters are acting irresponsibly and provocatively," the newspaper said.

The media, it charged, were trying to whip up an "anti-Soviet psychosis" with the evident aim of weakening support for the peace movement in Sweden and elsewhere in Scandinavia.

Izvestia said there had been similar reports about submarines in the Norwegian fjords 10 years ago and these had been put about because the military wanted an increase in its budget.

The present incident in Sweden was perhaps a "Swedish variant" of this, the newspaper added.

New Earth Tremor Hits Central Italian Region

United Press International

PERUGIA, Italy — A sharp earth tremor hit the central Italian Umbria region Monday afternoon, the latest and worst in a series of shocks registered in the area since Saturday.

Police said that many residents of the area ran into the streets in panic. They said they did not immediately know if the new shock had caused any injuries.

INSIDE

Spadolini Making Mark in Embattled, Yet Hopeful, Italy

Doggedly, He Wheedles Compromises in Making Nation Face Up to Economic Troubles

By Joseph Fitchett
International Herald Tribune

ROME — Prime Minister Giovanni Spadolini of Italy warned publicly the other day that his country would become "ungovernable" unless the Parliament cuts both government spending and the red tape that chronically delays economic legislation.

By this, Mr. Spadolini explained last week in an interview, he meant that his coalition government — like many others in Western Europe — had reached a moment of truth in attempting to adopt austerity programs. Economic hardship and increasing social tensions, Mr. Spadolini said, are proving to be a major test for the brand of coalition politics that previously flourished in Europe's postwar prosperity.

In its current crisis, Italy, like West Germany, France and most northern European countries, has not found a way to get multiparty governments to agree on how to distribute the economic sacrifices believed needed to revive growth. While the problem stretches across Europe, Italy is considered the country with the most unwieldy coalition and the worst overall problems.

Mr. Spadolini is widely seen as a transition leader while Italians wait for the Socialists to lead the country. Still, he is making his mark, mainly by his dogged efforts to make Italy face up to a changed economic climate. In practical terms, this means wheedling compromises out of the rival political parties in his coalition.

"The job has to start all over again every day, cajoling all the different parties into agreeing on each and every measure," an aide to the prime minister said, "because even the simplest change — for example in state-owned industries' debt — affects so many constituencies."

Last year it took Parliament 11 months to vote a national budget. A titanic battle has just started with the unions to break Italy's system of automatic increases in cost-of-living allowances to match — and feed — inflation.

Mr. Spadolini, 56, a former historian and newspaper editor, apparently has the stamina for the job. Italian cartoonists delight in depicting the portly, soft-spoken Republican leader as a cherub among tigers, but he has proved to have an infallible eye for power. His reputation for honesty and hard work makes him a popular figure on the Italian political tightrope.

His coalition theoretically commands nearly 60 percent of the Parliament, but government is bound to be difficult because the coalition extends from Christian Democrats to Socialists, excluding only the Communists.

Italy's problems, like its unwieldy coalition, are also extreme. Mr. Spadolini has to cope with Europe's highest inflation rate and fastest growing deficits, plus terrorism, scandals and the Mafia. Adding to the government's planning and tax problems, the underground economy now accounts for an estimated one-quarter of the gross national product.

Despite these domestic problems, Italy, under Mr. Spadolini, is pursuing an assertive pro-Western foreign policy. Little noticed publicly, Italy played an instrumental role in backing U.S. initiatives on intermediate-range missiles in Europe and in re-establishing Western forces in the Middle East.

The gradual revival of Italian diplomacy reflects the country's growing industrial power and national confidence, commentators say. But, they add, this recent economic growth — which continued until last year — makes the current stagnation an especially bad shock to Italian expectations, and the government finds it correspondingly difficult to cut back on official largesse.

Mr. Spadolini bluntly labels the situation "an emergency," citing the country's acute problems of recession, corruption, terrorism and the lack of institutional reform.

His government has had some striking successes, particularly against terrorism. The Red Brigades appear to be effectively infiltrated, and the Italian authorities are also arresting major rightist terrorists.

But government spending, on programs launched in periods of growth, is now approaching 51 percent of the gross national product. A decade ago, the figure was only 30 percent — a level comparable to the present situation in the United States.

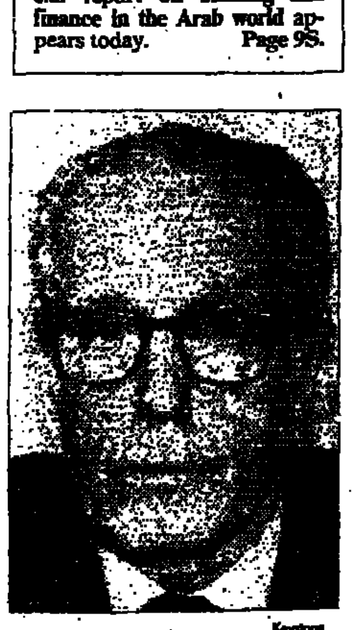
In contrast to previous politicians who treated Italy's economic crisis as, in an aide's words, "critical, but not serious," Mr. Spadolini has tackled the problem of shaking up the social and intellectual climate in Italy. "He's trying to get people to recognize that austerity can be a policy option," a diplomat said, "an unheard-of new departure in postwar Italy."

Mr. Spadolini explains that "the welfare state has attained an exaggerated status" in most European countries, except West Germany. "It entails excessive broadening of government powers," he said.

The prime minister's outspokenness has been echoed and supported by President Sandro Pertini. As a result, Mr. Spadolini has survived in office for 15 months, five times longer than any previous prime minister in this Italian Parliament.

His longevity is particularly surprising because he is Italy's first prime minister from outside the Christian Democratic Party in modern Italian history. Although Mr. Spadolini belongs to Italy's secular parties, whose legitimacy

(Continued on Page 2, Col. 4)



Keystone
Baron Alain de Rothschild, 72, a banker and a leader of French Jewish community, dies in New York. Page 5.

Mendès Frances Dies; French Former Premier Ended Indochina War

The Associated Press

PARIS — Pierre Mendès France, 75, the postwar French prime minister who ended France's war in Indochina, died Monday.

Mr. Mendès France, a lawyer and World War II air force officer with the Free French, became prime minister in 1954 after the French defeat at Dien Bien Phu in Indochina.

He was head of government for only seven months and 17 days in 1954. But in that brief period, he ended the war in the Far East that was dividing France as it was later to divide the United States, granted autonomy to Tunisia, won French ratification for the rearmament of West Germany and infused a short-lived spirit of progress and movement into the exhausted Fourth Republic.

"France is led in a manner I have not known since Clemenceau," Sir Winston Churchill said at the time.

Then, for having started the retreat from colonialism that other politicians were afraid to take on, Mr. Mendès France was voted out by the National Assembly. As he tried to make a final speech, deputies shouted him down, screaming: "Bastard, dirty Jew."

Born Jan. 11, 1907, Mr. Mendès France became a lawyer at 21, the youngest lawyer in France at the time, and was trained as an economist. He began his political career in 1932, winning a seat in the Chamber of Deputies as a Radical Socialist. He was 25, the minimum age for election to Parliament.

He was one of the youngest cabinet members in French history when he was appointed undersecretary of state for the treasury at age 31 by Prime Minister Léon Blum in 1938.

He was still a parliamentary deputy at the outbreak of World War II, but volunteered for the French Air Force. After the Germans broke through the French defenses, Mr. Mendès France followed the government to Bordeaux and later escaped to Morocco with his wife and two sons.

He reported to duty with the air force in Morocco, then a French colony, but was arrested for desertion and returned to occupied France. He was convicted and sent to prison, but managed to escape and eventually made his way to London to join General Charles de Gaulle's Free French Forces, serving as a bomber-navigator.

After the liberation of France, Mr. Mendès France was named minister of national economy and worked out an austerity plan to start the nation's economic recovery. But his critics argued that the French people would not stand for the austerity measures following five years of occupation.

The plan was rejected by de Gaulle, and soon afterward Mr. Mendès France left the government.

During his term as prime minister, he also presided over the French parliamentary defeat of the European Defense Community — a proposed integrated European army — and pushed through a compromise solution to allow the re-arming of West Germany.

Mr. Mendès France, who neither drank alcohol nor smoked, was also ridiculed for his campaign to promote milk as a popular drink. This angered drinkers and the wine lobby and made the prime minister an easy target for newspaper cartoonists and satirical writers.

An ardent parliamentarian, Mr. Mendès France fell victim to the system he had defended, voted out of office by a jeering National Assembly. The Algerian war had just begun and many deputies feared that he would end the French presence in North Africa as he had in Indochina.

He served nearly four months in 1956 as a minister of state in the cabinet of the Socialist Guy Mollet before resigning.

Mr. Mendès France remained a member of the National Assembly and was one of the few deputies who voted against de Gaulle's return to power in 1958. He also campaigned against the new constitution for the Fifth Republic, which was tailored to de Gaulle's insistence on a government with a powerful executive.

He criticized de Gaulle consistently. About the only de Gaulle policies he approved of were de Gaulle's granting of independence to Algeria and to France's other African colonies.

His opposition to de Gaulle was politically unpopular, and he was defeated in his 1958 campaign to retain his assembly seat from Louviers, west of Paris.

In 1962, he ran unsuccessfully for a seat from Evreux. In 1967, he moved his political base to Grenoble and won a National Assembly seat from there, only to lose it a year later when de Gaulle dissolved Parliament during the May 1968 student-worker strikes.

Mr. Mendès France continued to write on political and economic subjects in the small-circulation monthly magazine Courrier de la République, which he published.

His last public appearance was on May 21, 1981, during swearing-in ceremonies for the Socialist president, François Mitterrand.

UPI
Pierre Mendès France

Sri Lanka's Election: A Referendum on the Free Market

Jayawardene Seeks Mandate to Continue His Reforms

By Tyler Marshall
Los Angeles Times Service

COLOMBO, Sri Lanka — If the Reagan administration were searching for a test of its free market philosophy for Third World development, it would have to look no further than Sri Lanka.

In the past five years, the government has dismantled a cumbersome welfare-state bureaucracy, liberalized trade and welcomed multinational corporations to help transform its tea-and-coconut economy into a world center for low-cost, high-technology production on the pattern set by Taiwan, Singapore and South Korea.

But in contrast to the more regimented societies of its three economic models, Sri Lanka's experiment is taking place in a free, no-holds-barred democracy, with an active, aware electorate.

Sri Lanka is a poor nation — per capita income is $265 a year — but it has a literacy rate of 87 percent, more than twice the figure for India.

On Wednesday the country's 8.1 million voters will go to the polls for a presidential election that many view as a referendum on whether to continue the free-market experiment or revert to being a welfare state.

The incumbent president, Junius R. Jayawardene, 76, is campaigning for a mandate to press forward with his policies and, on the surface at least, it would seem surprising if he failed to get it.

In addition to his image as a national father figure, his economic experiment has all the earmarks of success. Economic growth has doubled. Unemployment, which was 24 percent when he assumed office in 1977, has been nearly halved.

Wage levels have risen; freer trade has brought a cornucopia of imported consumer goods and the long lines for rationed commodities have disappeared.

Removal of controls on rice prices has given a new incentive to farmers, and for the first time in a century Sri Lanka is on the brink of self-sufficiency in its No. 1 staple food.

A thriving free-trade zone offering liberal tax and investment incentives has drawn 76 foreign companies that employ nearly 24,000 Sri Lankans and indirectly provide work for twice that many.

The United States is backing Sri Lanka's development with its highest per capita aid program in Asia, just under $100 million a year.

"My record is my platform," Mr. Jayawardene tells the crowds in the final days of his campaign. "I stand for opportunities, not subsidies. I've freed the country economically. Give me a chance to continue my work."

But this development has brought some unpopular changes and a simmering resentment that analysts believe could cut significantly into his support. An end to free education, free health care and subsidized food for all has upset an electorate that had come to view these benefits as a birthright.

Corruption, previously present only on a minor scale, has expanded rapidly. And the torrid pace of development has fueled inflation, which reached nearly 40 percent last year. It has since receded, but the cumulative effect has had a severe impact on wage earners.

While development has brought new affluence to the fast-expanding professional and business class, benefits to Sri Lanka's poor have been less dramatic.

Although a food stamp program provides some relief to the 50 percent of Sri Lanka's population that subsists on less than $15 a month, the number of urban poor is said to have increased noticeably.

In his desire to build a new society quickly, many Sri Lankans believe Mr. Jayawardene has pushed too hard, too fast. At first, he sought only low-interest, concessional loans for development, but when these proved insufficient he turned to high-interest commercial markets. Now, with many key programs still incomplete, Sri Lanka is deep in debt and its foreign exchange reserves severely depleted.

Some economists believe that, unless drastic measures are instituted quickly, Sri Lanka could face a major economic crisis.

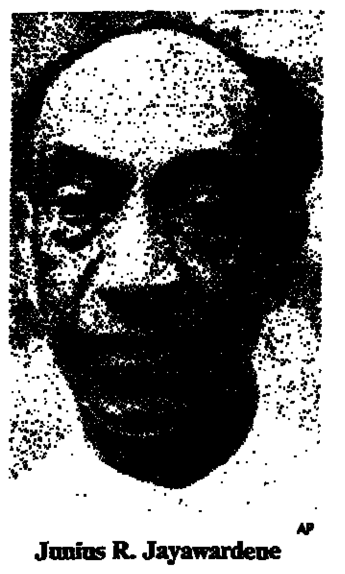
Many analysts believe that Mr. Jayawardene decided to call the presidential election 16 months early in the hope of winning a mandate for his program before taking steps that will add to the economic pinch.

A major factor in his favor, however, is that his principal opponents are in disarray.

The Sri Lanka Freedom Party, which built much of the country's welfare state while it was in power, still constitutes Mr. Jayawardene's primary opposition, despite being weakened by internal differences and the loss of its leader.

Sirimavo Bandaranaike, 66, who was elected in 1960 and dominated her party for two decades, has been barred from taking part in the election. She was stripped of her civil rights in 1980 for abuse of power while prime minister.

Her son, Anura, who broke with her last fall, and her daughter, Chandrika, who remained loyal, have managed only a half-hearted reconciliation behind the Freedom Party nominee, former Agriculture Minister Hector Kobbekaduwa.



AP

Junius R. Jayawardene

But, while neither Mr. Kobbekaduwa nor any of the other four challengers appears strong enough to unseat Mr. Jayawardene, Sri Lankans have a habit of voting against the party in power, rejecting it in six of eight previous elections.

"Jayawardene will probably win, but it could be closer than many believe," a political analyst commented.

Allies Ready to Renew Soviet Talks With U.S.

By Axel Krause
International Herald Tribune

PARIS — Spokesmen for Britain, France and West Germany said Monday that their governments were prepared to explore renewing talks with the Reagan administration over identifying possible pressure points in future trade relations with the Soviet Union that might be used as linkage in influencing Moscow's behavior.

But such discussions cannot provide a basis for lifting U.S. sanctions against European firms supplying equipment for the Siberian pipeline, the officials said.

They said that possible dates or a location for the talks has not emerged.

"The pipeline issue and the embargo is a separate and a commercial matter, but we have agreed on the need for more consultations on East-West relations," a British government spokesman in London said. The spokesman added that a "get-together" on East-West issues by NATO member-nations, including at the ministerial level, "is not being ruled out.

In Bonn, a government official said a draft paper on the future of East-West relations had been given recently to Hans-Dietrich Genscher, the German foreign minister, by George P. Shultz, the U.S. secretary of state. But the official said the draft paper apparently was not intended as a basis for negotiating a lifting of sanctions involving the Soviet pipeline.

"Washington seems to be stimulating or seeking a basis for a discussion on these issues, but not much more," the official said.

Officials also said Monday that they were unable to confirm having received a draft protocol that The New York Times reported was distributed to France, West Germany, Britain and Italy as a basis for opening talks on the pipeline.

In Washington, Larry M. Speakes, the White House deputy press secretary, said that the administration had not provided the allies "a draft proposal" for lifting the sanctions.

According to U.S. and European diplomatic sources, the proposals could cover further tightening the terms of export credits to the Soviet Union, blocking future Soviet plans for natural gas development and expanding restrictions on the transfer of high technology to the Soviet Union.

But beginning even exploratory talks will be difficult in the current strained atmosphere, European officials indicated. "We are ready to talk, but not change our positions," a French government spokesman said.

Meanwhile, in Florence, 4,000 employees of Nuovo Pignone went on strike briefly Monday to protest the seizure Oct. 8 in the United States of gas turbine components that had been ordered by the Italian state engineering company. General Electric, the American supplier, and Nuovo Pignone have said that the parts were intended for a project in Algeria.

France Says Cuba to Free Dissident Poet

Reuters

PARIS — Cuba has agreed to release the dissident poet, Armando Valladares, after being asked to do so by President François Mitterrand of France, the French government said Monday.

The order for the poet's release was given by President Fidel Castro of Cuba, who informed Mr. Mitterrand's special cultural adviser, Régis Debray. Mr. Debray is now on an official visit to Cuba.

Officials at the presidential palace here said that Mr. Valladares, who has been imprisoned since 1960, would arrive in Paris within a few days. A spokesman said the 44-year-old poet has been jailed since Dec. 27, 1960, for political reasons.

Earlier this year, Mr. Mitterrand wrote to Mr. Castro, then sent envoys to plead the poet's case. Mr. Valladares, a former student leader and ally of Mr. Castro, was sentenced to 30 years in jail after breaking with Cuba's Communist regime over ties with Moscow.

Bombs Explode on Corsica

Reuters

AJACCIO, Corsica — Seven bombs exploded on Corsica on Sunday night, causing extensive damage to buildings belonging to the state-run electricity network but injuring no one, police said Monday. There were no immediate claims of responsibility.

U.S. Again Declares It Will Quit Nairobi Meeting if Israel Is Barred

The Associated Press

NAIROBI — The United States again threatened Monday to suspend all financial support to the International Telecommunications Union if a resolution excluding Israel from the UN agency is passed at a meeting here.

Michael Gardner, a Washington lawyer who is chief U.S. delegate to the conference, called the Algerian-sponsored resolution illegal, illogical and unreasonable. The resolution could affect a Middle East peace effort, he said, because it would isolate a key state in the regional dispute.

After five hours of stormy debate on the resolution, the plenary session of the ambassadorial-level conference was adjourned. It was scheduled to resume Tuesday afternoon and a vote on the resolution was expected later that day.

Mr. Gardner said the U.S. delegation would "immediately and permanently" leave the conference if the anti-Israel resolution was adopted. The United States would "suspend all, I repeat, all financial support" to the 157-member ITU, he said.

The ITU normally deals with such technical issues as allocation of short-wave frequencies.

The United States provides $3.2 million a year, or about 7 percent, of the ITU budget.

The United States maintains that the Algerian resolution, which was introduced because of objections over Israel's invasion of Lebanon, has no place on the ITU agenda.

A vote on the resolution would be the first test of strength of anti-Israel sentiment in the United Nations following a U.S. threat to withdraw from the world body if Israel is expelled from the UN General Assembly.

Secretary of State George P. Shultz said Saturday that the United States would withdraw from the assembly if Israel were ousted and would "withhold payments to the United Nations until Israel's right to participate is restored."

The United States contributes 25 percent of the annual UN budget.

Arab and Third World nations are backing the proposal by Iraq and Libya to oust Israel from the assembly.

Three weeks ago the United States withdrew from the UN-affiliated International Atomic Energy Agency after Israel was denied credentials.

In a telephone interview Sunday, Mr. Gardner said that the United States and many other nations want a secret ballot on the resolution. The ITU convention provides for secret voting if five delegations request it, he said.

Sources close to the U.S. delegation said they expected the vote to be close. A private poll of delegations over the weekend indicated that three or four votes were still needed to defeat the resolution.

The United States and its allies here hope that a secret vote will tip the outcome in their favor.

Quite a few Third World nations would not like to be seen publicly voting for Israel's participation, conference sources said. But these nations would also not like to see the agency wrecked over a political dispute, the sources added.

Some participants said they expect a compromise, with the conference condemning Israel but not making a call for its exclusion.

Spadolini Making His Mark In Embattled, Hopeful Italy

(Continued from Page 1)

was long contested by the Christian Democrats, he was an acceptable coalition leader because he has written sympathetically about the political contributions of Catholics to modern Italy.

Mr. Spadolini's main historical interest is Giuseppe Garibaldi, founder of the modern Italian state over the objections of the Vatican. The world's leading collection on Garibaldi is housed in Mr. Spadolini's elegant country home outside Florence. For him, Rome's current homages to Garibaldi, marking the centenary of his death, shed ironic light on Italy's difficulties in building the modern state envisaged by its founders a century ago.

Passionate interest in Garibaldi is shared by Mr. Spadolini's main political rival, the Socialist leader Bettino Craxi, who is impatiently waiting in the wings to become the first leftist to lead Italy.

The Socialists' bid for power helps explain Italy's vigorous diplomacy. Because the Socialists are anxious to prove their Western credentials, an aide explained, they "are statesmanlike on foreign policy issues when the coalition is often inclined to squabble over domestic issues."

The result, Mr. Spadolini said, is that "foreign policy has helped hold this government together." In other European countries, where the anti-nuclear movement is stronger, diplomatic issues such as the new U.S. intermediate nuclear missiles and Middle East policy have been very divisive for coalitions.

Only after Italy agreed to take NATO's planned new cruise missiles was it possible for West Germany to consent, a U.S. diplomat said, adding: "It was a surprise to see West Germany waiting for an Italian lead." Italy, under Mr. Spadolini, is sticking to the construction schedule for the new missile sites.

Similarly, Mr. Spadolini said, "the first thing Ronald Reagan asked me when we met for the first time at the Ottawa economic summit was whether I would send Italian troops to Sinai after Israel's withdrawal."

Italy's decision to participate also made it possible to dispatch a trilateral force of U.S., French and Italian troops to Lebanon. "We worry that the force is too passive, that too many things are happening outside our control," Mr. Spadolini said, hinting that he will press Mr. Reagan to increase the size — and authority — of the Western contingent.

Mr. Spadolini has emerged, as one diplomat put it, as "the protagonist of Italy's attempt to get to grips with itself."

Pope Wants Priests In Rome to Wear Clerical Clothes

United Press International

VATICAN CITY — Pope John Paul II says the priests of Rome should always wear clerical clothes in public so they can be easily distinguished as priests, according to a letter released Monday.

Cardinal Ugo Poletti of Rome told the priests and religious men in the letter that they are obliged to wear either a cassock or a dark suit with a clerical collar in public. He said the standards are valid even for priests who are not residents of Rome.

Cardinal Poletti said he gave the instructions after receiving a letter from the pope last month in which the pontiff expressed disappointment that many priests in Rome were not wearing religious garb.

The pope has often expressed his view that priests and nuns should not dress casually.

NSA Spy Activity Cited as 'Threat' In Congress Study

Reuters

WASHINGTON — The National Security Agency, responsible for devising and breaking codes and intercepting electronic messages, has spied regularly on confidential messages by private businesses, according to an unpublished congressional report.

The report by a House subcommittee on government operations cited examples of electronic eavesdropping on businesses and referred to a "commercial monitoring program" conducted by the agency, which it said was apparently very broad in scope.

It said the agency posed "a very significant threat to the privacy of American citizens."

NSA had no immediate comment on the report, which was completed in late 1977 but according to congressional sources was deemed too controversial to be made public. A copy was obtained by Reuters from a private source. The report's main author, Robert Fink, said in an interview that he believed its conclusions remain valid today.

The report came to light after publication last month of a book on the agency, "The Puzzle Palace," by James Bamford, which said the agency intercepts most commercial communications beamed by satellite to and from the United States.

Jesuits Plan Budapest House

Reuters

BUDAPEST — The Jesuit order will open a house for meditation and teaching next year in Budapest, the Hungarian press reported Monday. Church sources said this would be the first community of the Society of Jesus in Hungary for more than 30 years.

WORLD BRIEFS

Indian Police Kill Sikh Protester

NEW DELHI — One person was killed and several were injured Monday when police fired on Sikh protesters in the northern city of Amritsar, the Press Trust of India news agency reported.

Thousands of Sikhs campaigning for political autonomy in Punjab state, home of most of India's Sikhs, battled police in Amritsar after being freed from jail. The protesters set fire to buses, smashed streetlights and damaged shops and cars.

An estimated 25,000 Sikhs have been arrested in protests since August but most were freed Sunday and Monday, converging on Amritsar where their leaders in the regional Akali Dal, or party, are expected to decide on the next stage of their campaign.

Gandhi and Zia to Meet in November

NEW DELHI — President Mohammed Zia ul-Haq of Pakistan will arrive Nov. 1 to meet with Prime Minister Indira Gandhi of India in the first talks by leaders of the two nations in 10 years, officials said Monday. Gen. Zia's one-day visit will be the first official meeting of the two leaders and will focus on improving relations between India and Pakistan, which fought each other in wars in 1948, 1965 and 1971.

Mrs. Gandhi has frequently condemned Pakistan for its military relationship with the United States and its purchase of 40 F-16 warplanes. To counter Pakistan's upgraded arsenal, India signed a recent agreement with France to purchase 40 Mirage-2000 warplanes.

India and Pakistan are trying to agree on a bilateral peace treaty and to open trade and other exchanges. The two leaders met once, informally, in Zimbabwe in 1980 during that nation's independence day celebrations.

Iranian Forces, Kurdish Rebels Clash

LONDON — Fighting was raging between Iranian forces and Kurdish guerrillas in western Iran as Tehran attempted to establish control over the region, sources on both sides said Monday. Iranian officials and Kurdish leaders both claimed successes, but accounts seemed to indicate that the Iranian forces were slowly advancing toward the border with Iraq and Turkey.

The Iranian national news agency IRNA said Revolutionary Guards killed 250 Kurdish rebels over the weekend near the town of Sardasht, a former rebel stronghold 14 miles (22.4 kilometers) from Iraq. It said several Kurdish bases in the mountains near Sardasht had been destroyed and their supply-line to Iraq had been cut.

But Sheikh Ezzadein Hosseini, the spiritual leader of Iranian Kurds, said by telephone from Paris that Kurdish rebels had checked the government advance and had inflicted heavy casualties. He said more than 2,500 Revolutionary Guards had been killed or wounded in the past month.

China Eases Travel Curbs for Visitors

BEIJING — Foreigners in China no longer need special permits to visit 29 major cities and tourist resorts, officials at the public security bureau say. The rule took effect Monday.

Only a passport with a valid visa is needed for cities including Beijing, Shanghai, Nanking and Guangzhou, and for tourist resorts such as Guilin, Suzhou and Hangzhou. The move will be welcomed by China's growing foreign community, because it cuts down on bureaucratic procedures.

Police and foreign affairs officials said the 29 areas could only be reached by rail or air, allowing authorities to control any stops on the way. Travel permits will still be needed to visit other places on the official list of 122 cities and tourist spots that are theoretically open to foreigners. In geographic terms, more than 99 percent of China remains closed to outsiders.

Kohl Sets Thatcher, Reagan Talks

BONN — Chancellor Helmut Kohl is likely to find broad harmony on economic and foreign policy Tuesday when he meets Prime Minister Margaret Thatcher of Britain on his first official visit to London, diplomats said Monday.

Mr. Kohl's brief trip is aimed at underlining the continuity of Bonn's foreign policy under the center-right government that took office two weeks ago, diplomats said. The chancellor's first foreign trip was to Paris, where he pledged his attachment to the French-West German friendship in talks with President François Mitterrand.

A government spokesman said that Mr. Kohl will have his first meeting with President Ronald Reagan in Washington on Nov. 15. The spokesman said that Mr. Kohl has no similar trip to Moscow in view.

Dutch Parties Near Coalition Accord

THE HAGUE — The Christian Democratic and Liberal parties have reached political agreement on a new coalition government backed by 81 of the 150 members of Parliament, a cabinet spokesman said Monday.

Gijs van der Wiel, spokesman for the coalition mediator, Willem Scholten, said the negotiators now must agree on the wording of a draft coalition accord. He said the draft probably would be presented to the parties Wednesday, and that the Netherlands could have a new government by Oct. 29.

Ruud Lubbers, leader of the Christian Democratic Appeal Party, which forms the larger of the two coalition parties, is expected to be named prime minister. The new coalition would be center-right; the center-left government fell in May when coalition members could not agree on a plan to give tax breaks to industry.

Rostow Sees No Early Missile Accord

BRUSSELS — Eugene Rostow, the U.S. arms control and disarmament director, said Monday he did not expect any Soviet initiative until the last moment at the Geneva talks on reducing European-based, medium-range nuclear weapons.

The first weapons of a total of 572 missiles planned for Western Europe are scheduled to be deployed in Britain and West Germany during the last quarter of 1983 or early 1984. He said NATO should not expect a significant Soviet move until then, although an earlier one would be welcome.

Mr. Rostow is visiting the capitals of the five countries due to start siting the U.S. missiles — Britain, West Germany, Italy, Belgium and the Netherlands — if agreement is not reached in Geneva to forgo deployment in return for the dismantling of the Soviet SS-4, SS-5 and SS-20 missiles.

Compiled by Our Staff From Dispatches

Jaruzelski Marks Year As Polish Party Chief

Reuters

WARSAW — General Wojciech Jaruzelski marked his first year as Poland's Communist leader on Monday, still facing an economic and social crisis despite the liquidation of his main challenger, the independent trade union Solidarity.

While a call for strikes in several cities on Monday appeared to have gone unheeded, workers said that there was growing momentum for a stoppage on Nov. 10, the second anniversary of Solidarity's official registration.

Attendance was reported back to normal by officials and workers at the huge Huta Warszawa steel plant in Warsaw and the shipyards in Gdansk where they had been urged in leaflets to strike.

But officials in the southern steelmaking town of Nowa Huta, scene of last week's fiercest street battles after parliament formally dissolved the independent union, reported continued tension, with security forces present in strength.

A 20-year-old electrician was shot and killed in last week's clashes and workmen were reported still to be repairing damage by demonstrators in the central square. Police sources in the city said that the dead worker's funeral would take place Wednesday morning.

General Jaruzelski has maintained a hard line against street or factory protests in support of Solidarity or against the martial law he imposed in December.

The Soviet-trained soldier had been prime minister for 10 months when the party elected him leader in place of Stanislaw Kania, a man committed to dialogue with Solidarity who came under strong attack from Moscow.

Within two months he had staged the military takeover, suspending Solidarity and locking up thousands of its most influential leaders. About 600 of them are still interned without trial.

One Politburo member, Jozef Czyrek, said in a speech last month that the party has regained its guiding role in the state and must now regain the same role in society.

Under General Jaruzelski's leadership, dozens of senior party officials have been purged for incompetence or for being too sympathetic to Solidarity.

Since the worker unrest which led to the independent union's creation in 1980, membership of the party, which once stood at about 3.5 million, has steadily declined and this process accelerated when martial law was declared.

Party officials decline to give the total membership now, but Western diplomats estimate it at around 2 million.

Correction

A Washington Post dispatch in the International Herald Tribune of Sept. 8 said erroneously that the Asian Games will be held next year. They will be held Nov. 19 through Dec. 4 this year in New Delhi.

U.S. Democrats Lead in Polls, but Expect No Big Sweep

Party's Lack of Economic Plan and Opponents' Wealth May Mean Only 'Normal' Gains

By Paul Taylor
and David S. Broder
Washington Post Service

WASHINGTON — With just two weeks to go in the campaign, the midterm congressional elections of 1982 have the makings of a landslide that may never happen.

The Democratic Party is prospering in public opinion polls from economic hard times, with 60 percent of the voters now saying they want to send a Democrat to Congress. But even the party's own leaders doubt that those numbers will translate into sweeping gains in the House or Senate.

The strength of Republican candidates in many close races, the girth of the party's bankroll and the absence of a compelling Democratic alternative to President Ronald Reagan's economic policies has led professionals in both parties to project "normal" Republican losses in the House and a small net change in the Senate.

They hedge this by saying that the undecided vote remains high in many close contests, as it often does until the eve of a midterm election, and if a decisive trend develops late, it is far more likely to break for the Democrats.

Otherwise, both Charles T. Manatt, chairman of the Democratic National Committee, and Richard Richards, chairman of the Republican National Committee, are predicting a Democratic gain of 12 to 15 seats in the House, a figure in line with the normal gain a party makes two years after losing the White House.

A special Washington Post-ABC News poll of 27 of the most tightly contested congressional races in the country shows that the Democrats could pick up seven or eight seats in those races alone. Analysts believe the Democrats must do that well in such races to make significant gains nationwide.

A Republican loss of 15 seats in the House would jeopardize Mr. Reagan's working majority of Republicans and conservative Democrats. A loss of 25 seats or more could stalemate the administration. At present, the Democrats hold the House majority, 241-192, with two vacancies.

Each party predicts it will gain one to three seats in the Senate, where the Republicans are in control by a 53-46 margin, with one independent who is retiring. The Democrats must defend 21 of the 33 Senate seats up for election this year, creating long odds against recapturing control of the Senate, even in the rosiest of Democratic scenarios.

Republicans face the likelihood of more severe losses in the major governorship races, however.

The eight most populous states in the nation are electing governors this year, and the Republicans currently hold five. Their goal had been to hang onto four to keep their minimal gubernatorial power base going into the 1984 presidential elections, but that now seems unlikely.

The congressional races across the country present a tableau of opportunities not fully exploited by the Democrats. With unemployment over 10 percent and bankruptcies at post-Depression highs, the "out" party should be looking at a jackpot on Nov. 2.

But the Democrats are not. They blame this on money, while the Republicans cite message.

"If the Democrats had a program they could sell in a heads-up way, I think we'd be in real trouble," said Mr. Richards, the lame-duck Republican national chairman. "But they're still running against Herbert Hoover."

Democrats acknowledge they have been short on constructive or captivating themes. "It would be disingenuous to deny it," said Bernard Aronson, a top Democratic National Committee staff aide.

He asserted that ideas were indeed bubbling forth from the party: education for high technology, public jobs for rebuilding roads and bridges, tax streamlining, trade fairness. But they lack the clarity and sweep of Mr. Reagan's 1980 appeals to "get the government off our backs," and they will have a tougher time working their way into the national political dialogue.

Meanwhile, Democratic congressional candidates have been mostly content to attack Reaganomics and leave it at that.

"The campaigns are much more tightly focused on the president's economic policies than I would have expected a few months ago," said Leon Billings, director of the Democratic Senatorial Campaign Committee. "It's a case of the candidates being educated by the voters."

Mr. Billings said he believes that the attacks are just now taking their toll. He cites as evidence that Republican incumbent senators with supposedly safe leads in Indiana, Delaware, New Mexico and Vermont have in the past week begun attacking their opponents. "These are the tactics of people who've seen data suggesting their position is eroding," Mr. Billings argued.

The Democrats' list of possible gains in the Senate has lengthened this month. At the beginning of the fall, they were most hopeful of toppling Orrin G. Hatch of Utah, and Harrison H. Schmitt of New Mexico, and taking the open seat in California.

Now they have cooled somewhat on the Hatch race, but believe that their challengers have credible chances in two other states: Missouri, where Harriett Woods, a state senator, has pulled even with Senator John C. Danforth, according to a poll published last week by the St. Louis Globe-Democrat; and Minnesota, where Mark Dayton, a department store heir, has laid out more than $4 million of his own money against Senator David H. Durenberger.

The Democrats also believe that their candidates, although still behind in the polls, are within striking distance of such Republican Senators as Robert T. Stafford in Vermont, John H. Chafee in Rhode Island, William V. Roth Jr. in Delaware, Malcolm Wallop in Wyoming, and Lowell P. Weicker Jr. in Connecticut.

The Republicans, naturally, paint a far different picture as both sides posture to obtain a shower of late money from political action committees. Senator Bob Packwood of Oregon, chairman of the Republican Senatorial Campaign Committee, predicted last week that his party would lose none of its incumbents and capture as many as three Democratic seats.

He said that Mayor Pete Wilson of San Diego has a 10-point lead over Governor Edmund G. Brown Jr., a Democrat, in the Senate race in California, and the Republican challenger, Larry Williams, has pulled ahead of Senator John Melcher, a Democrat, in Montana. There also are good chances for Republican gains in Virginia, Nevada, Mississippi and Ohio, he said.

If the Republicans do suffer some Senate losses, it will not be for want of money. Their three major party committees raised $161 million in the first 18 months of the campaign, as against $25 million for the Democrats. This money has financed a $15-million national media campaign urging voters to "stay the course" with Reaganomics, and it will enable the party to funnel large contributions to marginal House and Senate races.

In the roughly 80 House races throughout the country considered marginal, Democratic challengers are heavily outspent by Republican incumbents, Republican challengers are not nearly as outspent by Democratic incumbents, and the Republicans have the fund-raising edge in open seats.

The Associated Press

PAUSE FOR INSPIRATION — The U.S. evangelist Billy Graham stands in front of the statue of Martin Luther in Wittenberg, East Germany. Mr. Graham is scheduled to preach in a number of East German cities during his tour.

Salvador Rebels, Army Mass for New Battles

The Associated Press

SAN SALVADOR — Leftist rebels massed in northeast Morazán province launched a new attack Monday on the town of Jocoatique, while the army mobilized 4,000 troops to block them and retake four other towns in the area, military spokesmen said.

No further details were reported in the latest attack, which came after government and rebel sources reported a lull in the fighting Sunday after bloody clashes last week that left at least 270 dead or wounded on both sides.

Earlier, the rebels' clandestine Radio Venceremos said government forces were heading to the north and warned residents of small towns throughout northeast Morazán that heavy fighting would resume soon.

In the northern province of Chalatenango, a major army operation involving an estimated 5,000 troops reportedly ended without success. Soldiers returning from the area over the weekend said they had lacked enough men to rout the guerrillas.

About 4,000 troops were estimated to be involved in the army offensive in Morazán. The government closed the area to reporters, as it often does before its troops attack guerrilla positions.

An army spokesman at San Francisco Gotera, 104 miles (166 kilometers) east of the capital, said the rebels controlled the towns of Perquin, Torola, San Fernando and Tejere, in the province near the Honduran border.

Last week's guerrilla drive was the heaviest since March, when the rebels launched attacks throughout the country in a failed effort to disrupt the national elections that gave El Salvador its current rightist-dominated government.

An estimated 38,000 people have been killed in El Salvador's civil war. Human rights groups report that most of the victims have been civilians caught in cross fires or slain by right-wing death squads and paramilitary groups that allegedly operate with the tacit support of the U.S.-backed government.

U.S. Plans to Borrow For Old-Age Payments

By Edward Cowan
New York Times Service

WASHINGTON — To cover Social Security payments to the elderly for November, officials of the Social Security agency say they plan for the first time to let the old-age trust fund borrow money. The authority to borrow was granted last year by Congress as a short-term response to a long-standing financial problem.

Two or three days after Election Day on Nov. 2, $1 billion to $2 billion will be borrowed from Social Security's disability benefits or health insurance funds, according to agency officials. They said the exact amount would not be determined until the day of the loan.

For November, 34.6 million payments are scheduled for old-age, survivor and disability benefits totaling $13.3 billion, the bulk of the money for old-age and survivor benefits paid to those over the age of 65. The health fund pays hospital bills through Medicare, the health insurance for the elderly.

Without a loan, the old-age fund would not have enough money to cover its $11.9-billion obligation for November. Because monthly benefits have been exceeding revenues from the payroll tax, the old-age fund has had a chronic operating deficit. The cash balance has been eroded to where it is now less than a month's expenditures.

Congress has known for several years of the serious financial problems facing Social Security, but has shied away from dealing with them. Most legislators see political risk in a remedy that essentially involves spending less and taxing more.

After Congress did not act on President Ronald Reagan's 1981 proposals for scaling down future benefits, he set up a bipartisan National Commission on Social Security Reform. It has said it would not vote on recommendations until after Nov. 2.

The commission is expected to recommend raising the Social Security payroll tax, which is now 6.7 percent with a maximum contribution of $2,170.80 a year. But Mr. Reagan is "adamantly against increasing Social Security taxes," his counselor, Edwin Meese 3d, said Sunday.

He would not comment on Mr. Reagan's views on scaling back future Social Security benefits, which provide payments for retirement as well as disability.

Although both the White House and Thomas P. O'Neill Jr. of Massachusetts, speaker of the House, have said the postelection session of Congress might deal with Social Security, that now appears unlikely.

Officials confirmed informally that the first so-called interfund loan, under authority Congress granted last December, would be necessary in November. Other loans are expected, agency officials said.

U.S. Watching Soviet-China Talks For Shift in Big Power Alignment

By Richard M. Weintraub
Washington Post Service

WASHINGTON — U.S. diplomats have watched warily for more than two weeks as the first high-level talks in three years between China and the Soviet Union have continued against a backdrop of suggestions from Beijing that relations with Moscow are about to undergo a thaw.

Any change in ties between China and the Soviet Union would mark the first major shift in the big power equation since the United States and China put their relations on a normal footing during the 1970s. It would signal increasing problems for U.S. policymakers and a likely continuation of political strains over the troublesome issue of U.S. arms sales to Taiwan.

U.S. China-watchers cast the current talks in an all-or-nothing context, rejecting suggestions that Beijing is about to play a "Soviet card" against the United States. They say feints toward Moscow could well be a function of internal political maneuvering among factions in Beijing.

The Americans, however, do not draw attention to persistent public and private indications from Chinese officials that Beijing is clearly expecting a change in its relations with Moscow, even if the process is long and drawn out and stops short of putting Soviet relations on a par with those with the United States. Nor do they point to clear signals of irritation in Beijing with the U.S.-Chinese relationship.

Adding to the possibility for change in Chinese-Soviet relations

NEWS ANALYSIS

are developments in another of the world's trouble spots — Afghanistan. Asian and American diplomats note that even as fighting continues, the Soviet Union has been more forthcoming in recent UN-sponsored talks on a possible Afghan settlement.

Even though prospects for a breakthrough still appear remote, there has been speculation that the change in Chinese-Soviet relations eventually could move beyond the surface level.

Soviet negotiators reportedly have agreed on an agenda for Afghanistan discussions that includes the three critical areas of Soviet troop withdrawal, return of refugees and external guarantees for Afghan security. They reportedly are showing a greater willingness to discuss the substance of issues.

The Chinese have set as criteria for closer relations some major steps by the Kremlin: removal of troops from the troubled Chinese-Soviet border, an end to support for Vietnam's operations in Cambodia and a withdrawal of Soviet forces from Afghanistan. However, diplomats familiar with Chinese thinking say Beijing's position is not quite so rigid as it might appear.

They say that progress in one or two of these areas — such as a commitment by Moscow to reach a peaceful settlement in Afghanistan and pull out its troops — might open the way for more far-reaching changes in the Chinese-Soviet relationship.

The Soviet vice foreign minister, Leonid Ilichev, and the Chinese vice foreign minister, Qian Qichen, opened the talks in Beijing two weeks ago, the first formal high-level contacts between the two countries since China broke off discussions after Soviet troops entered Afghanistan in late 1979.

While Mr. Ilichev's visit initially was portrayed by the Chinese as a private trip to see the Soviet ambassador to Beijing, it now is known to have been carefully arranged by a Chinese delegation that visited Moscow earlier in the year.

U.S. China-watchers note that Beijing began hinting of a change in Chinese-Soviet fortunes as early as last February. These hints were met by widely publicized calls for normalization of relations from President Leonid I. Brezhnev of the Soviet Union.

The Ilichev talks are taking place against the backdrop of the recent Chinese party congress, during which top-level officials made it clear that relations with the Soviet Union were about to be put on a more equal footing with those of the United States.

At the same time, renewed criticism of U.S. policy on Taiwan and trade relations has emerged from ranking Chinese officials.

One such signal came in a speech two weeks ago by Foreign Minister Huang Hua to the Council on Foreign Relations in New York. Although speeches before the council are customarily off the record, the Xinhua news agency carried a lengthy account of his remarks.

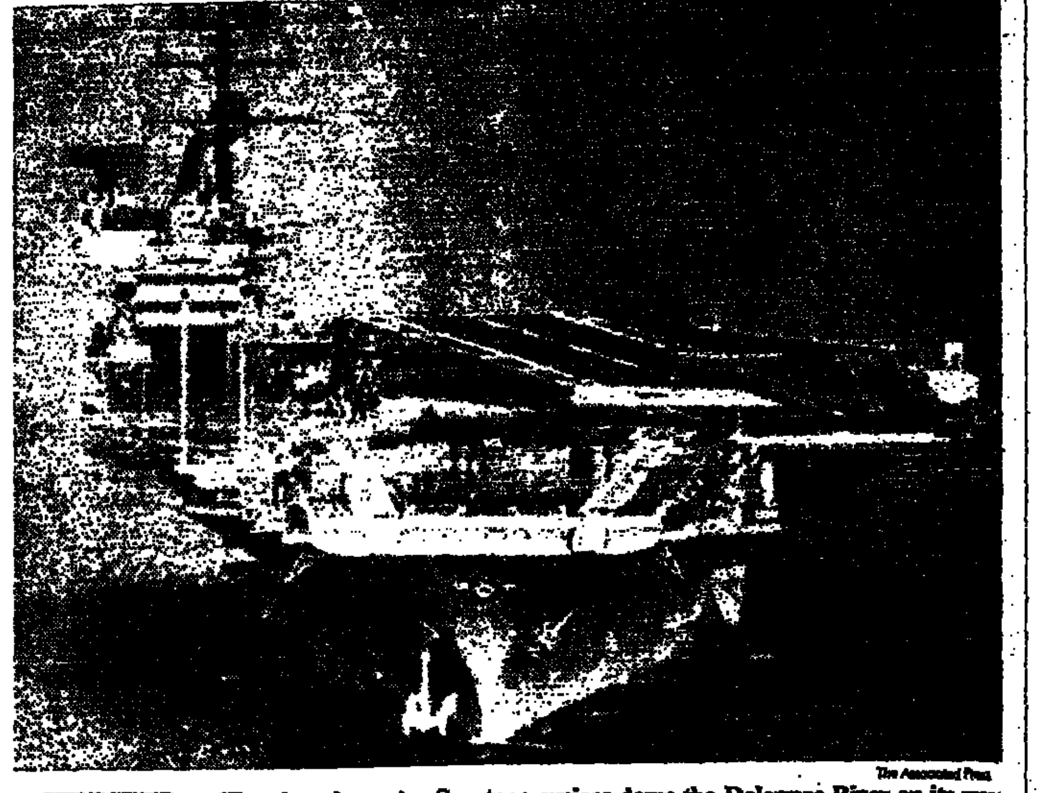
In the Xinhua account, Mr. Huang began by outlining "favorable conditions" for U.S.-Chinese relations, but then added: "However, I regret to say that the development of our bilateral relations is not free from obstacles."

Chief among these obstacles, according to the Xinhua account, is continuing U.S. support for the Nationalist government on Taiwan.

Xinhua said that if the U.S. is swayed by "people in the United States who ... still cherish the fond dream of creating 'two Chinas,' ... the political basis of Chinese-U.S. relations would go down the drain."

The account also quoted Mr. Huang as charging the United States with intensifying discrimination against China in trade relations and in scientific and cultural exchanges, particularly citing restrictions on the export of high technology and sophisticated equipment to China.

According to Xinhua, Mr. Huang then asked: "In view of recent developments, one cannot help but ask: Does the U.S. government regard China as a friend or an adversary?"



The Associated Press

REFRESHED — The aircraft carrier Saratoga cruises down the Delaware River on its way to trials at sea after a two-year, $526-million overhaul at the Philadelphia Naval Shipyard.

Harvest on the Danube: A Success For Communism Hungarian-Style

By R.W. Apple Jr.
New York Times Service

MOR, Hungary — Day after day, tractors pulling wagons laden with shining silver-green grapes chug along the roads in and around this community of 13,000 in the hills west of Budapest. The harvest is under way at the Mor state farm, and the news here and elsewhere in Hungary is good: Once again, Eastern Europe's most successful farming country will have bumper crops.

While Poland and Romania and the Soviet Union struggle with shortages, Hungary's wheat yield will approach 14 million tons, just shy of the 1980 record, and its vineyards will make possible one of the highest levels of wine production in this country in recent years.

Rich soil, especially in the Danube plain, plays its part, of course, and so do the native talent and industry of the Hungarian peasant. Also, the bureaucrats in Budapest have avoided some of the mistakes of their colleagues in other Communist countries: Despite the recession, Hungary kept importing spare parts for farm machinery. This was not the case in Czechoslovakia, where the wheat harvest was spoiled this fall because the inevitable breakdowns of combines could not be fixed in time.

But the most important factor in Hungary's continuing agricultural success story, analysts agree, is the variety and flexibility that have been encouraged by the government of Janos Kadar.

Pal Tressler, an agricultural economist who heads the big Petofi farm cooperative at Dunavarsany, south of Budapest, says that the government has for a quarter of a century "provided a stable political atmosphere in which Hungarian agriculture could flourish." Putting the same idea into blunter words, he added, "Everyone, including Kadar, keeps his nose out of agriculture."

The health of Hungarian farming is important for two reasons in helping to maintain a much higher standard of living in Hungary than elsewhere in Eastern Europe. Despite adverse price trends, foodstuffs account for about a quarter of total exports, and they earn hard currencies.

The Babolna state farm sells chickens to the Middle East, Mor sells wine in vast quantities to the Swedish alcohol monopoly and Hungarian salamis show up in shops in New York, Paris and London.

Lines outside food stores, so common in Moscow, Bucharest and Warsaw, are unknown in Budapest. Hungarians grumble constantly about high prices, but the grumbling is good-natured, and whatever deprivations they suffer tend to take the form of inaccessible luxuries.

Maria Kovacs, 58, is a typical case. From her pension (Hungarian women retire at 55), from part-time work as a telephone operator and from her two sons and daughter-in-law, who share her apartment, she has a monthly income of about $235. She says that "a couple of rolls, a piece of sausage and one or two other things come to 100 forints" — about $2.65 — "and then you can't afford any more." But the family — Mrs. Kovacs is divorced — manages to eat well. The only things it denies itself on a daily basis are beer, wine and soft drinks.

A handful of purely private farms still exist in Hungary, and there are 130 state farms such as the one at Mor, where the government owns the land. But the biggest share of the land — more than 70 percent — is tilled by 1,360 cooperatives, which range in size from 50 to more than 60,000 acres.

At some cooperatives only a minority of the members actually work on the common land. The rest, under a new system introduced recently, make small items — beer pumps, hatchet handles, plastic dog bones — that big state industries find it uneconomic to produce.

Innovation has also come in recent months to the state farms, some of which are considered by Western experts to be notably well-run. At Mor the work on a 10,000-acre spread that was assembled from 314 small farms is done by 790 employees, including 32 academically trained agronomists. They are paid a salary and, if there is a profit, as much as a full month's extra salary at the end of the year.

In addition to wine, which is bottled on the farm, Mor produces wheat and fruit. Up-to-date farm equipment, some of it made in Hungary and some of it imported from Eastern and Western Europe and the United States, makes it possible to do many farm chores with minimum labor. But, until this year, the blackberry harvest presented a difficult problem every fall because it did not easily lend itself to mechanization.

The solution found was to lease the right to pick the berries to a group of employees and sell the fruit back to the state at a prearranged price. After the cost of the lease had been deducted, as well as a fee for the use of state equipment, the 125 workers made profits ranging from $550 to $1,100 apiece for their efforts.

"With the manpower we had available," said Zoltan Velez, the burly farm manager, who has just returned from a trip to the American Middle West, "it would have taken us a month to harvest the berries. A lot of them would have spoiled. But these people mobilized their relatives and friends — about 2,000 people in all — and they did the job in three days.

Turkish Court Begins Mass Trial of Leftists

Reuters

ANKARA — The trial began here Monday of 574 alleged militants of the prominent leftist underground organization Dev-Yol (Revolutionary Way), charged with trying to overthrow the state by force.

The military prosecutor has demanded death sentences for 186 of the accused and prison terms ranging from three to 15 years for the others. They are accused of more than 300 murders and attempted killings, assaults, robberies and arson commited before the 1980 military takeover.

Dev-Yol was one of the biggest illegal leftist groups operating before the coup and was held responsible for much of the daily violence of that time. Early last year police said security forces had smashed the organization, capturing more than 200 members.

Monday's hearing was attended by a group of West German lawyers as observers. The trial, which began with an identification check of the accused, is expected to last months.

Two similar mass trials began last year, one in the eastern city of Erzerum of 540 alleged Dev-Yol militants, the other in Istanbul of more than 400 alleged members of a similar group, Dev-Sol (Revolutionary Left).

Police said the two groups were formed in 1975, when a leftist organization called Dev-Genc (Revolutionary Youth) split into Dev-Yol, based in Ankara, and Dev-Sol, based in Istanbul.

Police believe seven of the men in the Ankara trial have been national leaders of Dev-Yol.

Afghan Pilot Defects, Dies in Pakistan Crash

United Press International

ISLAMABAD, Pakistan — An Afghan Air Force pilot, apparently trying to defect, crash-landed his MiG-17 aircraft just inside Pakistan on Monday and was killed, the Defense Ministry said.

The aircraft crossed over the border from Soviet-occupied Afghanistan and crashed near a railroad station in Chaman, about 80 miles (130 kilometers) northwest of Quetta, capital of Baluchistan province, the ministry said.

Hazardous Waste Moved Out of Italy

Reuters

BASEL, Switzerland — About 2.2 tons of chemical waste containing poisonous dioxin released in a factory explosion at Seveso, northern Italy, in 1976 have been moved out of Italy, a Swiss chemical company spokesman said here Monday.

The clean-up was carried out under an agreement between local Italian authorities and the Geneva-based Givaudan company, which owned the factory, according to a spokesman for its parent company, F. Hoffmann-La Roche & Co. The factory accident forced several hundred families to leave their homes, some of them permanently, and polluted about 4,400 acres (1,800 hectares) of land.

An Italian company shifted the chemicals to an unknown dump outside Italy on Sept. 10, the spokesman said. Contaminated equipment at the factory is to be removed later. Most of the waste was sodium chloride contaminated with a relatively small proportion of highly toxic dioxin, he added.

Greek Socialists Take Towns, Falter in Cities

The Associated Press

ATHENS — The ruling Pan-Hellenic Socialist Movement won a sweeping victory in provincial towns in local elections Sunday but lost ground in major cities. Contests for mayor in Athens and the northern city of Salonika will have to be decided by a run-off next Sunday.

Prime Minister Andreas Papandreou, whose Socialists took office in national elections last October, said Monday that Sunday's voting "may be the first time in Greece's modern history that the Greek people have expressed their support for the government in local elections."

Although the campaign was fought on local issues such as transport, garbage collection, traffic problems and industrial pollution, the results were widely regarded as a rating of the Socialist government's performance in its first year of office.

Political observers said the Socialists' overall percentage of the vote appeared to have dropped by comparison with last year. They said that Communist support had helped Socialist candidates to victory in many provincial towns.

Socialist supporters said the results showed the people approved of the government's ambitious program for decentralization of authority and increased spending in the provinces.

"We're satisfied that an overwhelming majority of the new municipal leaders believe in the importance of local self-government," Interior Minister George Gennimatas said.

With about 90 percent of the vote counted Monday, the Socialists elected mayors in 40 towns that had traditionally voted for conservatives. They won overall victories in 84 cities and small towns, while the conservative New Democracy Party took 29 towns and the Communists 7.

The Interior Ministry said more than 100 cities and towns with a population of more than 5,000 will have run-off elections on Sunday.

Voting in Athens was inconclusive, with Socialist Mayor Dimitri Beis receiving 38.3 percent and Tzannis Tzannetakis, a former conservative minister, 37.9 percent. Communist candidate Vassilis Efraimides received 18.5 percent and a Social Democrat, Virginia Tsouderou, took the rest.

Mr. Beis and Mr. Tzannetakis will face each other in a run-off Sunday.

Run-off contests between Socialists and New Democracy candidates will also be held next weekend in the northern city of Salonika.

In the Athens port suburb of Piraeus, Aristides Skylitsis, a rightist who was mayor during Greece's military dictatorship, led Yannis Papaspyrou, a Socialist deputy, 42 percent to 36.6 percent.

Yugoslavs Curb Private Exchange Of Foreign Money

The Associated Press

BELGRADE — The government announced Monday fines ranging from 5,000 to 20,000 dinars ($100 to $400) for citizens who try to change hard currency from foreigners outside legal exchange bureaus.

The new rules appeared designed to curb a number of currency abuses, including the leasing of apartments to foreigners by landlords who demand rent in foreign currency.

It was the latest step in a package of austerity measures intended to pull the national economy out of a serious financial crisis and to help repay a $19-billion convertible currency debt, the highest per capita debt in Eastern Europe.

Another austerity provision prompted an urgent session of the Belgrade City Council and local taxi drivers. The drivers are protesting measures that would limit their gasoline ration to 300 liters (78 gallons) a car each month.

Both the currency exchange rules and the gasoline limits could affect the Yugoslav tourist industry.

هكذا من الأصل

Bess Truman, 97, Dies; Was President's 'Boss'

By Jean R. Hailey
Washington Post Service

WASHINGTON — Bess Truman, 97, a first lady who stood quietly but strongly behind her husband, President Harry S. Truman, during his tumultuous years in the White House, died of congestive heart failure early Monday at Research Medical Center in Kansas City, Missouri.

Her long-time physician, Dr. Wallace Graham, said her condition was complicated by a bleeding ulcer, which had caused a recent hospitalization. No family members were present when Mrs. Truman died.

She had lived the longest of any first lady in U.S. history. Edith Wilson, wife of President Woodrow Wilson, died at age 89 in 1961. The oldest living first lady is 70-year-old Pat Nixon.

Since her husband's death on Dec. 26, 1972, Mrs. Truman, who never had enjoyed her place in the limelight in Washington, rarely left her big, white Victorian home in Independence, Missouri. There she had the privacy she had treasured for most of her life.

After Mr. Truman was elected vice president in 1944, the couple became a top attraction to hostesses seeking to gather major political figures around their tables. Mrs. Truman was considered a friendly, warm-hearted person with a good sense of humor and a tart turn of phrase.

When her husband became president at the death of Franklin D. Roosevelt on April 12, 1945, Mrs. Truman had to assume a far more public role. Even more difficult was the fact that she had to step into the shoes of the peripatetic and popular Eleanor Roosevelt.

But, like Mrs. Roosevelt, she had a strong sense of duty and was well aware of the importance of her presence at numerous social and official affairs. Consequently, she was constantly on the go.

If Mrs. Truman failed to make public pronouncements on her own, she nevertheless was a shrewd analyst of people and politics and had a deep influence on her husband. He often referred to her as "The Boss."

Mr. Truman acknowledged that he had consulted his wife on every major decision of his life, including whether to use the atomic bomb on Japan to bring an end to World War II; whether to initiate the Marshall Plan to rebuild a shattered Europe after the war, and whether to fight in Korea during the crisis there in 1950. He stressed, however, that the final decision was always his alone.

Bess Truman was born Elizabeth Virginia Wallace on Feb. 13, 1885, in the big house in Independence, which had been built by her grandfather. The oldest of four children, she had three brothers.

She was Mr. Truman's first and only girl in a romance that dated back to early childhood and continued until his death. The story is told that Mr. Truman first spotted her when they were 6 years old at the First Presbyterian Church in Independence. Later, in school, he managed to carry her books, a practice that continued through high school.

In 1917 they became engaged as he was leaving for Army service in World War I. On June 28, 1919, after he had returned from the war, they were married in Trinity Episcopal Church in Independence.

The newlyweds made their home with Mrs. Truman's widowed mother in the house that later became the summer White House. Their daughter, Margaret, was born in 1924. Margaret, who married E. Clifton Daniel Jr., former associate editor of The New York Times, wrote in her book, "Souvenir," in 1956:

"I was presumed to be learning to be a young lady, and my mother, the dearest woman in the world, and also the most forceful, was going to see to it."

The family came to Washington in 1935, after Mr. Truman won a seat in the Senate. He was re-elected to the Senate in 1940 and was elected vice president in 1944.

The Associated Press
Bess and Harry Truman visiting Washington in February 1958.

In their five-room apartment in Washington, she did all of the work and managed the family finances. Friends liked to tell the story of the day when the new president and his family were to move from their $125-a-month apartment to Blair House before taking over the White House.

"You mean we're moving out of here?" Mrs. Truman was quoted as saying. "That would be wasteful. Our rent's paid up to the first of the month, and here it's only the 15th."

In 1948, Mrs. Truman saw her husband elected to the presidency against great odds. She had not wanted him to run for the office, had begged him not to. But, finally, she relented and accompanied him on the campaign trail, once explaining to a friend:

"Harry is so sure he is right, so sure that the people will know he is right, that I hope he wins."

Four years later, the president announced he would not run for re-election. The couple retired to Independence, where Mr. Truman wrote books and helped establish the Truman Library. The Trumans rarely traveled away from home.

They came to Washington occasionally and visited their daughter and her family in New York. In 1956, they attended the Democratic National Convention in Chicago, where Mrs. Truman allowed she had a fine time because her husband was not running for anything.

Alain de Rothschild, 72, French Banker, Dies

United Press International

PARIS — Baron Alain de Rothschild, 72, a French banker and a prime leader of the French Jewish Community, died Sunday in New York from a heart seizure, his friends reported Monday.

From 1967 until the middle of this year, Baron de Rothschild was president of the Central Consistory of the French Israelites. He became honorary president in June. He also had been chairman of the Representative Council of Jewish Institutions in France (CRIF) since 1976, and he headed a number of Jewish charities. He was the cousin of Baron Guy de Rothschild, head of the recently nationalized Rothschild bank.

Alain de Rothschild, himself a banker from a long family line of bankers, was born Jan. 7, 1910, in Paris, the son of Baron Robert de Rothschild. He was educated at one of France's most renowned preparatory schools, the Lycée Louis-le-Grand in Paris, and at the Paris law faculty. He held degrees in law and political science.

Baron de Rothschild joined the military at the outset of World War II and spent most of the war as a prisoner in Germany, being repatriated only at the close of hostilities. He received the Croix de Guerre and later became an officer of the French Legion of Honor.

After the war Baron de Rothschild joined the family banking business. He had been a vice president of the Rothschild bank since 1968. He was president from 1963 to 1967 of the Société d'Investissement du Nord, president of the Compagnie du Nord from 1968 to 1978, and a high officer of numerous other banking and investment firms. He was the mayor of Chamant, the village where he maintained an estate, since 1959.

As a leader of French Jews, who according to the CRIF number from 650,000 to 700,000, Baron de Rothschild was a key figure in integrating Jews expelled from newly independent North African countries into French life.

Victoria Price Street

HUNTSVILLE, Alabama (AP) — Victoria Price Street, 77, who alleged she was raped by a group of young blacks on a train in the "Scottsboro Boys" case of the 1930s, died here Sunday. The cause of death was not announced.

She had been a resident of Fayetteville, Tennessee, during the last years of her life.

The Scottsboro Boys case drew international attention after nine young blacks on a train passing through Paint Rock, Alabama, were arrested March 25, 1931, on claims of rape by Miss Price and Ruby Bates, who also was on the train.

The nine were taken to Scottsboro and, with emotions running high among white townsfolk, eight were sentenced to die. None was executed, however, after Miss Bates recanted her testimony and new trials were ordered on appeals. But the men served prison sentences of various lengths, some on death row.

Miss Bates died in 1976 in Washington, where she had married and became Ruby Bates Schut.

Mrs. Street never recanted her testimony.

The 1976 NBC movie, "Judge Horton and the Scottsboro Boys," prompted a lawsuit by Mrs. Street, who objected to the way she was depicted in the film. The suit was settled out of court.

■ *Other deaths:*

John Robarts, 65, who served as premier of Ontario province from 1961 to 1971, of an apparent suicide Monday in Toronto.

Tom McGovern, 66, a Dixieland jazz pianist of the 1930s and 1940s, Friday after a lengthy illness in St. Paul, Minnesota.

30 Die in Argentine Crash

Reuters

BUENOS AIRES — At least 30 persons were killed and more than 50 were injured Sunday when a passenger train rammed into the back of another at Quilmes Station, six miles (10 kilometers) south of here, Argentine police reported.

Zimbabwe Gets a New Past as Texts Are Revised to Reflect Blacks' Role

By Joseph Lelyveld
New York Times Service

HARARE, Zimbabwe — For decades, every schoolchild who grew up in this country, the former Rhodesia, learned that its history essentially began in 1855, when the Scottish explorer David Livingstone made his way to the great falls on the Zambezi River and named them for Queen Victoria.

Now, as one of the first tangible fruits of its independence of only two and a half years, Zimbabwe is getting a new past. New history texts for primary schools are just off the presses and a hotly competitive race is on among several publishing houses, each with its own team of historians, to see who can be first with historical surveys for high school and university students.

The new texts all seek to meet a deeply felt need: to show that the black people who live in modern Zimbabwe have been shapers of history and not just bystanders.

"I knew most intimately the history of Egypt," said Ngwabi Bhebe, a historian at the University of Zimbabwe, wryly recalling his own school days. "We studied the Greeks and the Roman Empire, the Middle Ages and the Renaissance. Then we went over to the voyages of discovery. The voyages of discovery brought it near to us."

"I was trained to believe that the history of the European in Africa was the only history," Mr. Bhebe said, "that prior to that it was all darkness."

Only when he started work on his doctorate at the University of London, where he first encountered the works of contemporary historians from West Africa, did Mr. Bhebe seriously start to question this approach.

He has just finished writing one textbook and is about to start another, but he knows that the rewriting of history is only the start of a shift in historical perspective. All the teachers who have to work with the new texts, blacks as well as whites, learned from the old ones, he pointed out.

It is a history that dwells on the African kingdoms that rose and fell in the country's precolonial period, particularly the one that flourished in the 14th century at Great Zimbabwe. There, a set of ruins built of granite blocks were attributed by the white settlers to Phoenicians or Arabs on the assumption that the work was too sophisticated to have been done by local blacks.

In fact, until independence, no textbooks were ever approved for use in schools in Zimbabwe that mentioned, even as a possibility, the accepted archaeological conclusion that Great Zimbabwe's builders were direct descendants of the Shona- speaking groups that are dominant in Zimbabwe now.

But it is in their interpretation of the colonial period and movements of resistance to white rule that the new texts turn the old history on its head.

David Livingstone has just a minor part, and Cecil Rhodes, the empire-builder after whom Rhodesia was named, has become the personification of imperialism. The advent of white settlers is no longer presented as part of a tide of benevolence carrying technology, literacy and Christianity. Now issues such as labor exploitation, racial discrimination and the unequal division of the land are emphasized.

The difference is vividly illustrated by contrasting the treatment of an 1896 Shona uprising against the whites in an old text and a new one.

"The Africans were naturally disillusioned at the failure of the rebellion, which they thought had been at the bidding of the ancestral spirits," says an old book, and thus the blacks started to turn to Christianity.

The new books make heroes of two spirit mediums who inspired what is now called the "first Chimurenga," or rising, and then were executed. "The spirit of Kaguvi and Nehanda did not die," one text declares. "It continued to inspire freedom fighters, particularly during the second Chimurenga," the independence struggle.

Arab Put on Trial For Vienna Attack

Reuters

VIENNA — An Arab accused of organizing a machine-gun and grenade attack on Vienna's synagogue last year in which two persons were killed and 20 wounded went on trial here Monday amid tight security.

Bahij Mohammed Younis, 29, is also charged with organizing the murder of the head of the Austrian-Israeli Friendship Society, Heinz Nittel. Mr. Nittel, a Vienna city councilman, was killed outside his home on May 1, 1981. The accused is also charged with illegal possession of arms.

During the trial, scheduled to last five days, Mr. Younis will be confronted with two Arabs who were convicted of carrying out the attack on the synagogue in August last year. They were sentenced to life imprisonment. All three claim to be members of a radical Palestinian group called Al Asifa.

British Water Workers Strike Over Pay Issue

The Associated Press

LONDON — Workers in Britain's water industry staged their first national strike Monday to back demands for a 15-percent pay raise. Their 24-hour walkout was not expected to affect consumers.

The 29,000 manual workers from three different unions agreed to provide emergency service to ensure that health and safety were not endangered.

DEATH NOTICE

Mr. Loik Le Floch-Prigent
(Chairman and Chief Executive
Officer of Rhone Poulenc,
25 Quai Paul Doumer,
92408 Courbevoie, France)
regrets to inform you
of the death of his father,
Doctor GERARD LE FLOCH,
at Guingamp (Finistere, France)
on Oct. 17th. The late Doctor Le Floch
was in his 69th year.

Herald INTERNATIONAL Tribune
Published With The New York Times and The Washington Post

A Message to Spain

Next week's election may add Spain to Europe's growing socialist club. A left-center government led by Felipe González would be a natural swing of the democratic pendulum. The governing right-center is plainly tired and divided. But the Spanish pendulum swings over a sinister pit. The last Socialist victory, in 1936, ignited a civil war that yielded three decades of tyranny.

Mr. González needs no history lessons. He has gone out of his way to mollify the traditional right. His brand of socialism owes more to market theory than to Marx. Gone is the old call for nationalizing industry. The focus is on steadying Spain's fledgling democracy and reducing unemployment.

But this has not diminished the itch to rebel among the gloomy diehards in an oversized army. Three colonels were indicted the other day for plotting an uprising for the eve of the coming vote. They allegedly conspired with officers already in jail for a brazen coup attempt in February 1981. No longer able to rule, restless soldiers still have the power to ruin. In the name of combating anarchy, this remnant could sow it. And thwarting any such attempt is more than a Spanish concern.

This is not 1936. A reborn democracy is defended by a popular monarch; it has effectively checked a terrorist challenge and reasonably yielded to demands for regional self-government. The press, the parties and the trade unions stand in the vigorous mainstream. There is no likelihood of a Popular Front coalition between the Socialists and a divided Communist Party. No less important, Spain's historic isolation is ending. It joined NATO this year and hopes to enter the Common Market. Spain's democratic partners need to send a clear signal about the risks of unsettling an electoral verdict. A show of solidarity can well counter residual Socialist doubts about the value of the NATO tie.

—*THE NEW YORK TIMES.*

No Panacea for Steel

The American steel industry keeps bitterly arguing that all its most serious troubles spring from unfair foreign competition. That is an opinion shared by hardly anybody who does not work for a steel company, but the companies doggedly pursue their many complaints and accusations through the labyrinthine structure of the U.S. trade laws. The latest development is a vote by the International Trade Commission holding that the American producers have indeed been damaged by subsidized competition from Europe.

The decision will enrage some of the Europeans. But if it represents a political victory of sorts for the American steel makers, the ITC vote provides them with little actual relief. The effect is to impose duties on the imports equal to the subsidies. That will probably keep the highly subsidized steel, mainly British and Italian, out of the American market. But the same inquiry has also concluded that West German and Dutch steel is not subsidized. The Japanese and South Korean producers are not included in this case. In effect, the most formidable of the competition is not touched by the decision.

The trade laws are not working badly, on balance. They give a little comfort here and there, but not much — and, at least so far, they have usefully deflected some of the political lightning. There has been a good deal of heavy breathing in Europe about retaliation and trade wars. But the really remarkable thing about the steel quarrel is that it has not done more damage to Atlantic relations.

In the United States, some 200,000 steelworkers — nearly half of the industry's work force — are out of work. In Britain, where unemployment is 12.7 percent, employment in the steel mills has been cut to less than half of its strength of four years ago. In France it is down by one-fourth. The world has grossly overbuilt its capacity to produce steel and now, at immense social and economic cost, it is having to close mills. The temptation is almost overwhelming to blame the distress on foreigners. But for both Europeans and Americans the roots of it are at home.

In casting his vote, Alfred Eckes, chairman of the ITC, observed that during the past decade American steel wages rose at an annual average rate of 12.4 percent, far faster than inflation, while productivity rose 2 percent a year. He deprecated the idea that subsidized imports are "the most important cause" of the domestic industry's decline. Another commissioner, Paula Stern, added that "to an industry plagued by prolonged, deep recession, delayed modernization, an overvalued dollar and a noncompetitive cost structure, these duties are no panacea."

—*THE WASHINGTON POST.*

The Trade Challenge

Japan's economy has been expanding for most of 30 years by more than 5 percent a year. This year it is growing barely half that fast, and that is the good news. West Germany's economy is hardly growing at all. France has double-digit inflation. Brazil's output was down last year for the first time in 25 years. Mexico and Poland cannot pay their debts.

The list goes on. The whole world is in this thing together. The industrialized countries are suffering, not least the United States, but the rest of the world is suffering, too. When all suffer together, who is there to help the other one get off the floor? The sensible answer is joint effort to help each other, but the trend has been the other way — a revival of every-man-for-himself protectionism.

The leaders of the strongest countries — the seven who gather annually at economic summit meetings — have been derelict. Their last conference, at Versailles in June, failed to address the global malaise and ended in disarray over narrower issues, most visibly the Siberia-to-Europe gas pipeline. France's President Mitterrand suggests, with good reason, that the hoopla be eliminated next time and that the group talk seriously in private about what really ails the planet.

The annual meeting of the International Monetary Fund in Toronto last month was another opportunity missed. Mexico, Argentina, Brazil, France and still others have deep-seated balance of payments problems. Quick action to enlarge the fund's capacity would have helped, but, largely owing to the intransigence of the United States, there were no decisions. The need remains for speedy agreement to handle the current crises, and for more agreements to head off other crises.

A third opportunity for joint effort comes up next month when 86 governments assemble for an annual meeting on trade relations, under the umbrella of the General Agreement on Tariffs and Trade. That is the historic treaty that commits them to open and orderly trade. They will meet at a critical time.

The handmaiden of world recession is increased protection for ailing industries. The effort of the American steel industry and the Reagan administration to curb imports of European steel is salient, bolstered now by Friday's ruling against the Europeans by the U.S. government's International Trade Commission. Another danger sign is the "domestic content" bill pending in Congress, which would require that the components of all automobiles sold in the United States be at least 90-percent American-made.

America is not the only protectionist villain. Japan has never opened its doors as wide to foreign products as have America and Europe. The developing countries maintain restrictions on imports from the industrial countries while enjoying duty-free entry to the industrial markets for many products.

The critical point is this: The world economy grows when trade grows. World trade has expanded almost without interruption since World War II, but now it is contracting. From $1.9 trillion in 1980 it shrank by $100 billion last year and is shrinking by another $100 billion this year. The worldwide recession means that countries buy less from each other, and this then stifles recovery. It could become a downward spiral. Nothing would do more to prevent this spiral than solid recovery in the major countries. All countries should be pledging not to erect new and damaging barriers to trade.

—*THE NEW YORK TIMES.*

Other Opinion

Agreeing on Steel Quotas

Both Washington and the Ten want to find a way out of the maze. It has been suggested that the Europeans could retaliate against U.S. countervailing duties by acting against U.S. synthetic fibers, on the grounds that American producers pay well below world prices for their natural gas feedstock. In that direction there lies the danger of uncontrollable escalation. Under these circumstances a quota agreement, if it can still be put together, promises to be the least of many evils. But two points should be clearly understood. The Europeans must honor their undertaking to restructure and eliminate subsidies; and the Americans must not use this temporary deal as the precedent for permanent protection of their high-cost steel industry.

— *The Financial Times (London).*

OCT. 19: FROM OUR PAGES 75 AND 50 YEARS AGO

1907: President Kills a Bear

NEW ORLEANS — The news of the killing of a large black bear by President Roosevelt in the canebrakes, at the end of a four hours' chase, was received in a telegram to Mr. John M. Parker, one of the men who invited the president to hunt in Louisiana. The bear broke into a dense thicket and the president plunged in after it with one of the guide's dogs, and had to force his way through the thicket, the bear keeping ahead of the president and within hearing of the dogs. Just before nightfall the chase led to a small opening. The president was 60 yards away and as the bear was about to plunge into the thicket again, he raised his gun and shot it. The bear was a female and weighed 400 pounds.

1932: Street Fighting in London

LONDON — A monster unemployed demonstration was staged in London and culminated in severe clashes between the police and the demonstrators. The trouble started when a crowd estimated at between 5,000 and 10,000 found itself thwarted of its objective — advertised some days ago as the headquarters of the London County Council — and surged into St. George's Circus, blocking all traffic. Scuffles broke out in several directions, with police swinging their batons vigorously, and a good many casualties were sustained. Repeated charges were made by the mounted and foot police, who finally drove the crowds into the houses, from which they kept up a fusillade of flowerpots.

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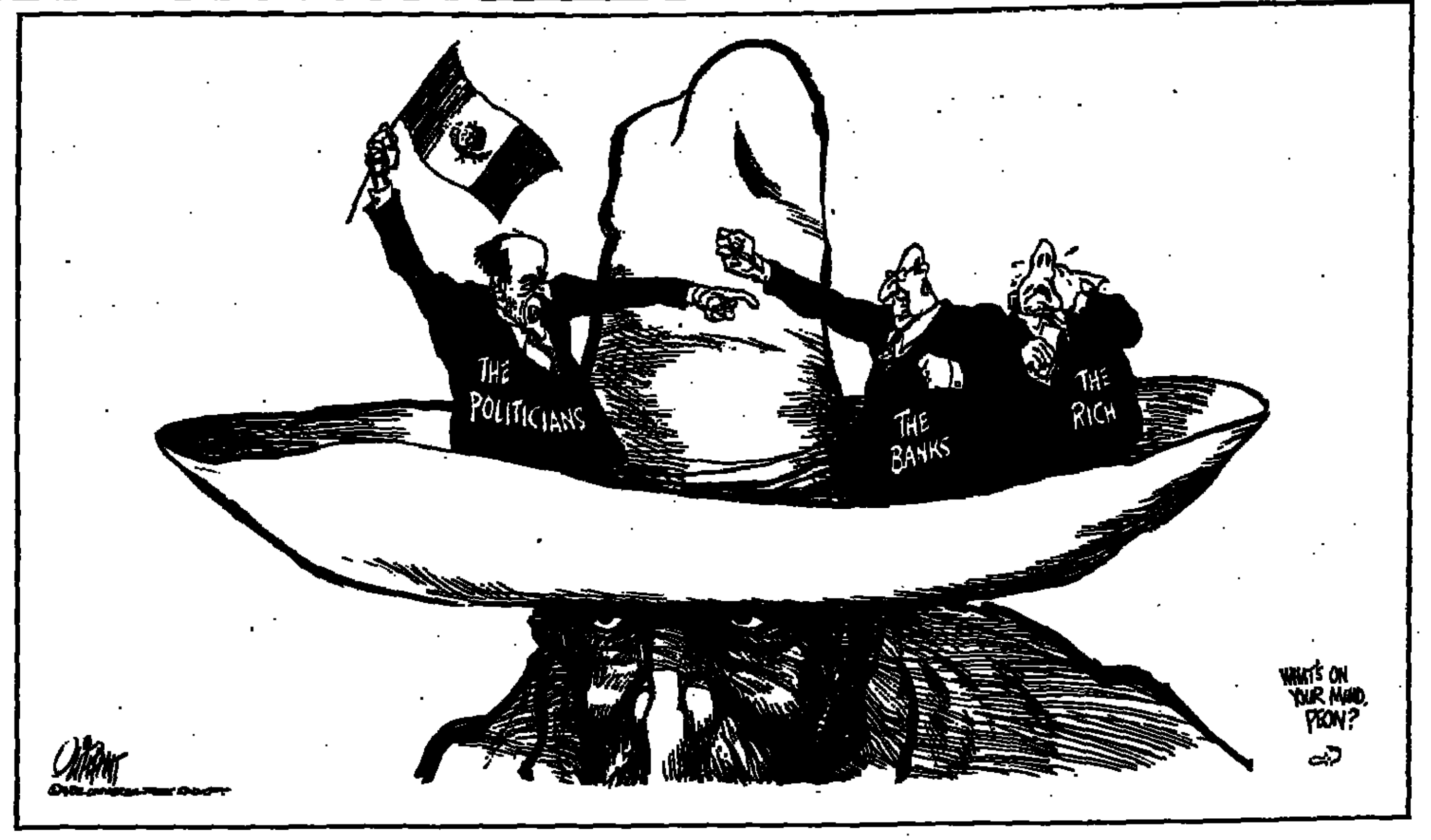


How American Grain Helps Moscow

By Jan Vanous

NEW YORK — While imposing sanctions on America's allies for helping Moscow build a natural gas pipeline, President Reagan has justified the sale of grain to the Soviets on the ground that such sales "will result in the Soviet Union having to pay out hard cash, and they're not too flush with that right now."

"The pipeline," President Reagan has also stated, "will result in the Soviet Union getting hard cash ... which it can then use to further build up its military might."

In fact, it is by buying grain from the United States that the Soviet Union saves vast sums — far more than it spends on the grain itself. In other words, U.S. grain sales make it easier, not harder, for the Soviets to meet other requirements, including their military buildup.

The Soviet Union is saving approximately $32 billion this year by selling oil for grain rather than producing its own grain.

The key here is a concept that economists call comparative advantage, or disadvantage. For the Soviets, there is a huge comparative disadvantage to producing grain.

Because its agriculture is so inefficient, the Soviet Union needs much more capital investment, labor and raw materials to expand grain harvests than to produce other goods, which can then be sold in the West to raise the money to buy grain instead of growing it.

At the same time the Soviets have an enormous comparative advantage in the production of oil and gas, products that they can sell in the capitalist world. Relatively speaking, the Russians can get much more rumble for the ruble by producing gas or oil and using the proceeds to buy grain than they can by trying to produce more grain of their own. The availability of grain imports enables the Soviets to eliminate costly expenditures on fertilizer, agricultural machinery, grain drying facilities and storage facilities. In addition it permits the Soviet political leadership to avoid undertaking major institutional and incentive reforms in the agricultural sector — reforms that would inevitably have political repercussions.

The Reagan view that purchases of grain are a drain on the Soviet economy assumes that Moscow has a fixed amount of hard currency for buying Western goods — that every dollar spent on grain is a dollar it cannot spend on something else. But this is incorrect.

If the Soviet Union is a relatively low-cost producer of oil, gas and other raw materials and a relatively high-cost producer of grain, then it should want to export petroleum products and import grain. The degree to which such a course would pay off can be shown by comparing the trade-off between the relative costs of producing and buying grain and other commodities important in Soviet trade. Petroleum products give us the best examples for this comparison because they produce the bulk of Soviet hard currency earnings.

Look at what has happened to the terms of trade between crude oil and grain on the world market in the past decade. In 1970 one metric ton of oil sold by the Soviets purchased barely 200 kilograms of wheat. By 1981 the same ton of oil bought eight times as much wheat.

Now look at the costs of producing grain or oil and gas inside the Soviet Union. In 1970, Wharton Econometrics has estimated, a ton of oil cost as much as 200 kilograms of wheat on the world market and the Soviets could produce an additional ton of oil for the same cost that they could grow 60 to 100 kilograms of wheat. In 1981 one ton of oil would buy nearly 1.6 tons of wheat on the world market, but in the Soviet Union the extra costs of producing one ton of oil would, if applied to grain production, provide only 200 to 250 kilograms of grain.

In other words, in 1970 it was two to three times less efficient for the Soviets to invest in wheat production than in oil production, when measured by the standard of world market prices. But in the early 1980s it has become six to eight times less efficient for the Soviets to invest in grain production. No wonder they prefer to buy U.S. grain surpluses while maximizing their oil and gas production.

The Soviet Union is expected to import about 46 million metric tons of grain this year at a cost equivalent to the world market price of 29.2 million metric tons of crude oil (assuming, for simplicity, that all grain is priced as wheat). If the Soviets tried to grow those 46 million tons of grain at home, the domestic cost of such increased production would be equivalent to the cost of producing about 159 million metric tons of oil. Thus, by spending $7 billion to import 46 million tons of grain this year, the Soviets save roughly $32 billion. And they escape the need to make dramatic domestic reforms. This seems like a good deal for Moscow.

The writer is an economist for Wharton Econometric Forecasting Associates, which specializes in Soviet trade questions.

Some Fatten On Hunger

By J. Collins and N. Allen

SAN FRANCISCO — It is not sufficiently widely realized that some people benefit from keeping other people hungry.

The hungry will often work for low wages in indecent conditions. Large landowners in Central and South America can pay landless or land-poor farmworkers $2 for a day of picking crops for the export market. If these laborers were not hungry, if they had access to land, they could grow enough food for their families. But then, the landowners fear, they would not work on the export harvests, or they would be able to hold out for decent wages.

Operators expanding big banana and pineapple plantations on the Philippine island of Mindanao drove thousands of small farmers off their homesteads. Dispossessed, these hungry peasants are now available to work for low wages to produce luxury fruit for export.

The beneficiaries of hunger include the American and European corporations whose subsidiaries manage and market the crops harvested by hungry plantation workers, and multinational manufacturers who close down plants in the United States and move to countries where there are many people hungry enough to produce electronic calculators or textiles for wages far below U.S. scale.

Many Third World governments and their business partners benefit from keeping the prices paid to small farmers low. Although these farmers are often the main producers of staple foods, the price controls keep them poor and willing to work part of the year on the export plantations. And low prices for staples make it easier to keep wages low in the cities, because workers there can still afford a subsistence diet.

In proclamations, everyone opposes hunger. But to work effectively against it we need to analyze the forces that keep hunger in place.

After dozens of blue-ribbon commissions and shelves of academic studies, most experts now concede that poverty — not scarcity, not overpopulation, not technological ignorance — is the root cause of hunger. The single most important step toward ending world hunger would be allowing the hungry access to the food-producing resources — land, water, credit — that are now monopolized by a wealthy minority in so much of the world.

"Seventy percent of our children in El Salvador are malnourished," a former Salvadoran minister of agriculture said recently. "That's why we are fighting a war in our country." As the 30,000 deaths in that war demonstrate, the desire of the hungry for access to food-producing resources is an enormous threat to the elite who benefit from their low-paid labor.

Instead of helping, U.S. policies in El Salvador and elsewhere often work against the hungry. The military and economic aid that shores up the elite also thwarts the efforts of the hungry who are working to improve their situation.

To truly help the hungry, we must put ourselves on their side by insisting that governments and corporate leaders change the policies that allow others to profit from hunger.

Joseph Collins is co-founder, with Frances Moore Lappe, of the San Francisco-based Institute for Food and Development Policy. Nick Allen is a researcher at the institute.

Let the PLO Hold an Inquiry on Anti-Jewish Terrorism

By Alan M. Dershowitz

CAMBRIDGE, Massachusetts — Once again Jews attending a synagogue have been the targets of an attempted massacre. This time it was in Rome, on Oct. 9. Before that it was Paris and Brussels.

This time a 2-year-old baby was murdered and his 4-year-old brother was hurt, along with 36 other people. As usual, the Palestine Liberation Organization denied complicity. But complicity, as the world was quick to remind Israel after the Beirut massacre, is a complex and multifaceted concept.

A simple denial that "our soldiers" fired the fatal shots will not suffice. In the aftermath of Beirut, the world — including Israeli and American Jews — properly demanded more than that kind of simple denial. It called for an independent inquiry into the circumstances leading up to and surrounding the ultimately lethal events at the Chatila and Sabra refugee camps. After some initial vacillation, the Begin government relented and appointed a genuinely independent commission to conduct a thorough investigation.

Why is there no similar demand for an inquiry by the PLO into its own possible complicity in the recent spate of synagogue killings?

Documented reports strongly suggest that neo-fascist terrorists — the kinds of anti-Jewish extremists who shoot into synagogues — have been trained alongside PLO terrorists and that neo-fascist groups have received funding from the same sources that help finance the PLO. The international terrorist network consists of extremists from the far right as well as the far left, whose common goals include destabilization of Western governments. Cooperation in terrorist plots among fascists, communists, nationalists and anarchists is common and well-documented.

At the hub of this network is the PLO, with its terrorist training camps throughout the Arab world. Since it helped to plant and fertilize the original seeds of destruction, the PLO surely bears some responsibility for the bloody harvest. Precisely how much responsibility and complicity the PLO actually shares can be determined only when all the relevant facts are learned. That is why an inquiry is warranted.

Those who view the PLO as no more than a gang of terrorist thugs cannot expect commissions of inquiry or other manifestations of political responsibility. But those who have urged recognition of the PLO as representing an organized and responsible political body must insist that it behave like such a body.

Governments such as those of Austria, Greece, Italy and France — indeed, even the Vatican — must not let the PLO have it both ways. They should demand of the PLO what they demanded of Israel. No organization that aspires to international recognition can be allowed to train and finance terrorists and then simply issue terse communiqués denying all complicity in their predictable and despicable deeds.

Perhaps Yasser Arafat did not personally authorize the synagogue killings. But he may well have set in motion forces that made them inevitable. Only an independent commission — with access to paramilitary information and lists of terrorist trainees — could prove or disprove Mr. Arafat's complicity.

If he were found to be responsible (or if he stonewalled the investigation), would there be widespread calls for his resignation as chairman of the PLO, as there have been for that of Menachem Begin?

Some will surely say that it is unrealistic to expect the PLO to conduct a full and open inquiry into possible responsibility for the synagogue killings. If the PLO refused, then its host countries — those who give it sanctuary, diplomatic status and other forms of recognition — should conduct their own inquiries. Countries such as Italy and France, where the atrocities occurred, should subpoena relevant information from the PLO. If the PLO refused to comply with the valid investigative laws of a host country, its office should be closed and its officials expelled.

If the PLO cooperated with the investigation and was shown to have had no connection with the synagogue killings, it would establish the bona fides of its recent condemnation of terrorism against Jewish religious targets. This would certainly go a long way toward enhancing its claim to political recognition.

The fact that a call for a PLO commission of inquiry seems unrealistic shows the hypocrisy of those members of the international community who have been bestowing on the PLO and its leader the benefits of recognition without demanding the responsibilities of recognition.

The writer is professor of law at Harvard University.

Speaking of Blame-Gamesmanship

By James Reston

WASHINGTON — "In recent weeks," Ronald Reagan told America on television last week, "a lot of people have been playing what I call 'The Blame Game.' The accusing finger has pointed in every direction of the compass, and a lot of time and hot air have been spent looking for scapegoats."

He is absolutely right. It's the oldest game in town, and if you want to know how to play it, there is no better teacher than Ronald Reagan, and no more brilliant example than his latest speech on the economy.

He denounced the game and yet played it far better than the Democrats, who are still running against Herbert Hoover. There was enough blame to go around, he said, but he didn't waste much time on his record, except to note that the value of the dollar was up and inflation and interest rates were down.

And he almost made you cry, sympathizing with the unemployed, which was fair enough since his policies have produced so many of them.

Even so, it was probably about the best non-political political speech he has ever made, and one of the most misleading. And by not letting the networks see the text in advance, he got on national television with it and fooled everybody except ABC.

It was a good week's work, ending with an offer to sell 23 million metric tons of grain to the Soviet Union, which Mr. Reagan usually blames for many of his troubles.

That helped American farmers, but not the 11 million unemployed. "Tonight, in homes across America," the president said in his speech, "unemployment is the problem uppermost on many people's minds. Getting America back to work is an urgent priority for all of us, and especially for this administration."

He was also even sympathetic toward all those old New Dealers who thought they were helping poor and old folks. "But there came a day," he said, "when I and millions of other Americans began to realize the terrible consequences of all those years of playing politics as usual while the economic disaster lines crept higher and higher."

Of course this is precisely what he is doing now, playing politics with the economic crisis. "At my age," he said, "I did not come to Washington to play politics as usual. I did not come here to reward pressure groups by spending other people's money. And most of all I did not come here to further mortgage the future of the American people just to buy a little political popularity."

We should be careful about this. Mr. Reagan honestly believes that the stock market boom is a symbol of the success of his policies, and that the Federal Reserve has come over to his side because it thinks the economy is rising, whereas it has changed course because it thinks it is sinking.

Mr. Reagan does not ignore the economic facts. "We're staggering under a trillion-dollar debt," he said. "This year, before government can spend one dime to feed the hungry, care for the sick or protect our freedom, it must spend $110 billion just to pay interest on the debt. And still the big spenders wonder why the American people want what a stubborn minority in the House of Representatives denied them just 12 days ago — a constitutional amendment to balance the budget."

In short, the president's speech was a clever and brilliant example of "The Blame Game" he deplored. It was not supposed to be "political," but the whole thrust of it was to avoid responsibility for the economic recession and the unemployment, and to blame the Democrats in particular and the tragedy of history in general for the worst unemployment and bankruptcy record since the Great Depression of the 1930s.

It should not be forgotten that Mr. Reagan is an actor, with a patriotic flair and a gift for speaking in simple words. Lately he has been doing nothing else — flying all over the country asking for help. "Give me a chance," he says, we've been in Washington for only a little while. "Stay the course," don't leave us just as our policies are starting to work.

There is very little evidence, of course, that this is true. His economic policies are not working, but the president is dominating the headlines and the news broadcasts on national television, and his party is pouring out much more money into the congressional races in November than the Democrats can command.

Accordingly, the Republicans are likely to hold their own in this "Blame Game" in the November elections, keep a narrow control of the Senate and avoid a disaster in the House. The question is what Mr. Reagan will do after that.

Will he run for a second term or get tired of "The Blame Game" and go home? In Hartford, Connecticut, the other day, Vice President George Bush said: "I'm convinced he should run again. And my gut feeling is that he should say so very soon, which would clear the air."

This is really the emerging question in Washington: Not what is likely to happen in the congressional elections in November, which will probably be a standoff, but whether Mr. Reagan will decide to go on playing "The Blame Game" for four more years. He deplores the game, but he plays it more convincingly than anybody else.

The New York Times.

Letters intended for publication should be addressed to the editor and contain the writer's signature, name and address. Brief letters receive priority, and letters may be abridged. We cannot acknowledge all letters, but we value the views of the readers who submit them.

LETTERS TO THE EDITOR

Defending One Europe

Regarding "In Search of a Rational Defense for Beleaguered Europe" (IHT, Oct. 10): Why is there no reference in this commentary to the constructive proposals tacitly contained in the Treaty of Rome?

An untutored individual aghast at the thought of the disastrous occurrence of a nuclear war might be excused for being unaware of the terms of the Treaty of Rome and the great significance it holds for the reorganization of the world political system. But there is little excuse for a political commentator failing to acknowledge the effect that eventual merging of the sovereignties of the 10 nations of the European Community would have in providing a more effective and rational control of defense for the whole area.

E.G. MACFARLANE.
Copenhagen.

Diem: A Year Off

Charles William Maynes, in "The U.S.-West German Entente Needs Updating" *(IHT, Oct. 14)*, refers to the assassination of South Vietnamese President Diem "in 1964." It was in 1963, shortly before the assassination of President Kennedy.

BERNARD SINSHEIMER.
Boulogne-sur-Seine, France.

Space Advocacy

Regarding "The Schools Are Failing Space Tests" (IHT, Oct. 11):

In response to the article by Frank H.T. Rhodes — and to the accurate Herblock cartoon — concerning the failure of schools to educate Americans in science and technology, it should be observed that, unfortunately, the schools are simply reacting to the lack of public interest in and awareness of the scientific importance and material benefits that the U.S. space program has provided to Americans and to the world.

It is in response to this lack of awareness on the part of the public, and the resulting reduction of the space program, that space advocacy groups have been created throughout the United States. These groups, such as Delta Vee, Inc., have had notable success in preventing cancellation of certain NASA missions — the Viking-1 lander on Mars, for example — and in creating a greater public awareness of the benefits of space research and exploration.

ROBERT E. LAWS,
Delta Vee, Europe.
Thann, France.

The Marcos Trip

Regarding "As Marcos Leaves for Washington, 2,500 Rally Against Trip in Manila" (IHT, Sept. 15):

That 2,500 demonstrators were able to assemble and protest publicly in the heart of the capital is incontestable proof that the Philippine government does not repress political dissent as long as it is peaceable.

While the foreign debt of the Philippines is not small, it does not surpass the limit allowed by law. In any case, the financial obligations are needed for the development of the infrastructure of the country.

State visits are never a cheap affair. Whatever the cost of President Marcos's trip to the United States, it was fully justified considering the visit's importance in terms of Philippine-American relations and the interests of the Southeast Asian region.

FELIPE MABILANGAN,
Ambassador of the Philippines.
Paris.

Some Strike Out

If the "Global Newspaper" flag on your front page means anything, is it not time you changed the Sunday crossword from the provincial and often erroneous puzzle it now is? Europeans and most Asians know little and care less about baseball.

R. ERIC WARREN.
Mougins, France.

هكذا من الأصل

LEBANON: THE REBIRTH

Amin Gemayel, the President of the Lebanese Republic, will arrive in France on Wednesday, Oct. 20, for a short working visit. This visit to France again confirms the special ties between Lebanon and France.
Previously, he will have addressed the United Nations, and met in Washington with President Ronald Reagan. On Thursday, Oct. 21, he will have an audience with Pope John Paul II before meeting with President Sandro Pertini of Italy. In Paris, Mr. Amin Gemayel and the Lebanese delegation will lunch with President François Mitterrand, and French senior officials following private talks between the two Heads of State.
Beyond the visit itself, this trip signifies Lebanon's re-entry into the international scene. All this is possible today because Amin Gemayel symbolizes the resistance of an entire people, of an entire nation, which, despite more than seven years of war and violence, wants to live in freedom and independence. During the worst moments of the Lebanese tragedy, the country's institutions never stopped functioning.

Even when scorned and disregarded, the country's institutions were maintained. Rare are the countries whose institutions could have resisted such a long voyage through hell, and a series of events like the ones Lebanon experienced from August 23 to September 23. The president-elect, Bashir Gemayel, who in 22 days had become the hope of an entire people tired of other people's war, was assassinated before being able to act. But there was no political vacuum, and once more the often-criticized Lebanese institutions worked perfectly. Two days before the end of the mandate of President Elias Sarkis, Amin Gemayel was elected by the largest majority ever obtained in the Lebanese Parliament.

THE RETURN TO SOVEREIGNTY

Less than a month after acceding to the supreme post, the new head of state is working with great enthusiasm towards the restoration of the state's sovereignty. The task is not an easy one. Amin Gemayel said so himself in his inaugural speech on September 23: *I am taking office at a time when the country is torn apart.*
Although the Israelis are still in the south of Lebanon, and Syrians and Palestinians are still entrenched in the Bekaa, in the east, and the north of the country, Beirut, the capital formerly divided into *east* and *west*, has already been reunified.
Since the end of hostilities and the evacuation of the PLO fighters, the Israeli forces have withdrawn from the entire capital. The often-criticized Lebanese army has demonstrated a miraculously newfound authority in the field. Not a day goes by that the internal security forces do not procede with the apprehension of convicted offenders, the questioning of foreigners whose papers are not in order, or even actions such as the one by a traffic policeman who arrested a motorist who was in a bit of a hurry and ran a red light. It's true that he had lost the habit of respecting traffic signals during the last seven years of war.
In order to *end the cycle of violence and the wars that others wage on Lebanese territory,* and restore national sovereignty, the Lebanese people know, and the new head of state constantly repeats, that there must be a sovereign state with a solid and homogeneous army that *will come from all of Lebanon, will belong to all of Lebanon and will be present on the entire Lebanese territory.* With the multinational force made up of French, Italian and American troops at its side, the Lebanese army is becoming, day by day, the instrument of the state's authority, and national sovereignty.
The army is only one instrument of this sovereignty, however; the judicial and administrative organizations are others; and all of these, in the spirit of the constitution, represent the foundations of democracy, the guarantee of liberties and of the securities of the Lebanese citizens.

NATIONAL UNITY

This restoration also is tied to national reconciliation. This reconciliation became apparent as soon as the occupation of Beirut ended. It is tacit where foreign troops are still present. Along with the geographical reunification of the country, and within the prospect of a total withdrawal of foreign forces from Lebanon, the government installed on Oct. 7 will have to achieve this national union.
In the words of the new head of state, this union *is the foundation of the homeland, and an absolute priority for Lebanon.* Amin Gemayel, it is true, has a considerable asset in this task: The Lebanese people, weary of war, dispersed, their families broken, often exiled, aspire to being reunited. This aspiration manifested itself in a dramatic way during the funeral of President-elect

AMIN GEMAYEL, President of the Lebanese Republic: The hope of an entire people.

Bashir Gemayel, where almost all the Lebanese communities found themselves united in that trying experience.
Furthermore, the President of the Republic has an image of a man of dialogue and national entente, an image that he has worked for since the beginning of the strife. He said it himself, on the eve of his election: *To reconstruct the fiber of the Lebanese fabric by consolidating the spirit of unity to which every Lebanese aspires* is one of his first objectives.
There too, the task is not easy. Since taking office, the new head of state has repeated his appeals for reconciliation *among ourselves and with others.*
Dialogue, entente, ouverture are words that one often hears him voice. He has repeated these words like a leitmotiv in all his speeches and discussions . . . It is also true that he is seen today as a true force for reunification.

PERMANENT VIGILANCE

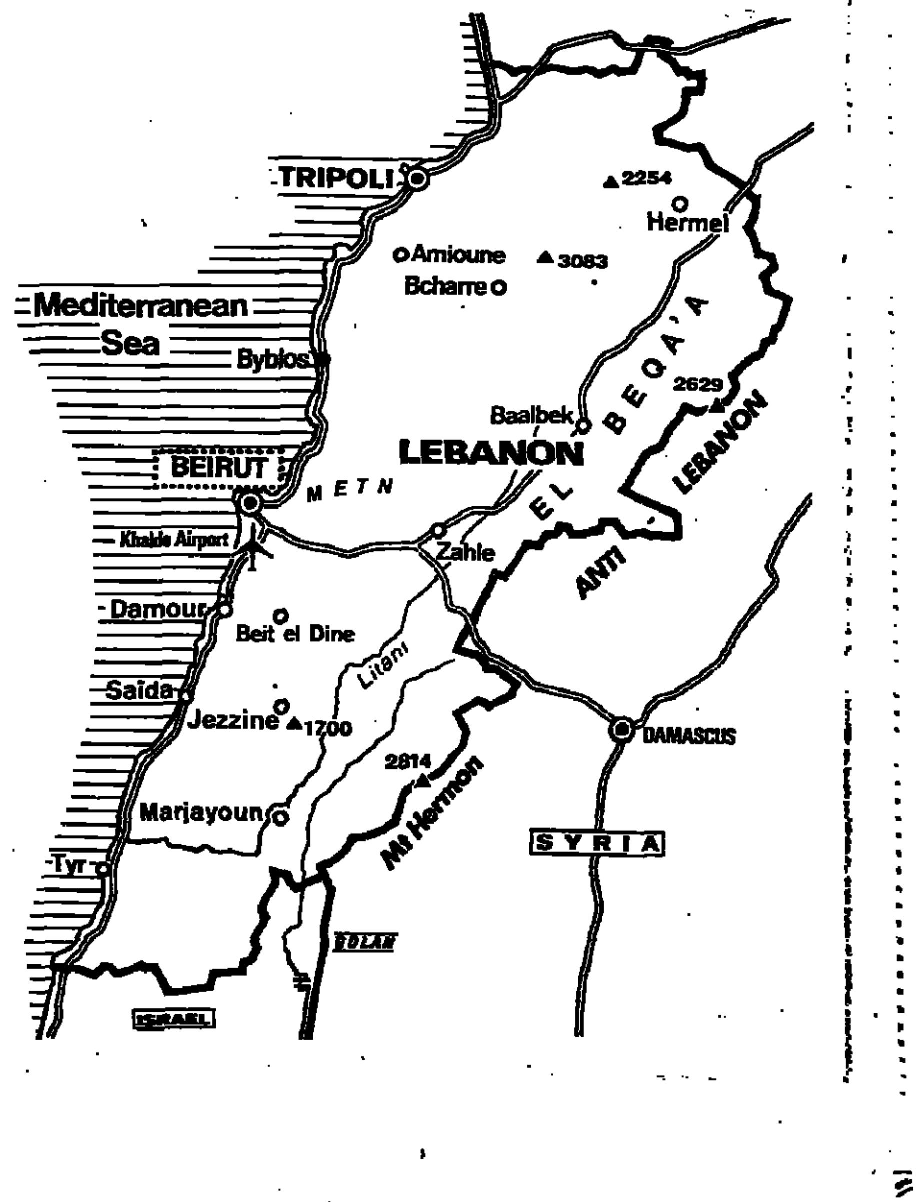
Although he always maintained a dialogue with the conflicting parties, even during the height of the war, Amin Gemayel never strayed from a clear position. Fiercely dedicated to entente, he was also devoted to national sovereignty. And when that sovereignty had to be defended, he did not hesitate to take arms. He habitually told journalists whom he met in his office: *The events in Lebanon have taught us that we Lebanese must always be vigilant, 24 hours a day and 365 days a year, from the day of our birth to the day of our death.* He adopted his brother's entire program.
We owe it to his memory, he said on Sept. 23, *to achieve his dreams, and to fulfill the hopes placed in him.* In fact, although the two brothers had different personalities and styles, they nevertheless had the same objectives. Their common experiences led them to have the same fundamental options. Amin Gemayel wrote on the eve of his election: *The image I have of Lebanon and its future is the same as that of my brother.*

THE RIGHT TO BE DIFFERENT

He defined his objectives in the same article, published by the American press: the sovereignty of Lebanon, national unity, the restoration of administrative functions, the rebuilding of the army, without forgetting the re-establishment of Lebanon's role in the Arab World and the international community.
As a member of the Arab League, there is no doubt that Lebanon as a whole remains a unique model for a society. Lebanon has always had a position and an identity that were unique and enriching for the Arab world: its role as a bridge between the Arab world and the West, but even more so as a mediator for peace in the region. Our intention is to regain this role.
The new head of state has always preached this right to be different within the Arab world, just as he has preached the principles of liberty and cultural pluralism in Lebanon.

RECONSTRUCTION

By accepting the challenge of supreme responsibility in the current circumstances, Amin Gemayel has also accepted to fight on several fronts. Torn by nearly eight years of wars and violence, ravaged and anemic, Lebanon must be rebuilt. In this respect one can certainly count on the Lebanese people who rebuilt their homes or offices between bombing raids.
Here too, the new head of state has assets. At the height of the strife, he made his region, the Metn, northeast of Beirut, a pilot area where modern housing and community facilities were constructed. Attentive to Lebanon's cultural role, Amin Gemayel, with his *Maison du Futur,* set up a variable research and planning organization. He also fostered the creation in the Metn of several social and cooperative development institutions.
A man bursting with ideas, he knew how to surround himself with trustworthy teams in his profession. Now, as head of state, he has surprised his fellow citizens by forming a government that broke with the traditions of patronage and feudalism. His collaborators are technicians, but they are first and foremost practical men, and they should be able to tackle the gigantic task of Lebanon's reconstruction. At the worst moments of the tragedy, the Lebanese currency, like the nation's institutions, maintained its course against winds and tides for many varied reasons. Similarly, the country's economy has demonstrated its dynamic nature by spreading its talents to the four corners of the world. Today more than ever, Lebanon needs the creativity of all its citizens to rebuild. Amin Gemayel said: *We know better than anyone that our problems are enormous, and that they require unlimited devotion and energy. No matter what it takes, each of us is determined to rebuild Lebanon, and this we shall achieve.*



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ARTS / LEISURE

Chanel Goes Sexy

By Hebe Dorsey
International Herald Tribune

PARIS — It is a good thing Coco Chanel is dead because she would not have understood the black-lace see-through, showing legs and derrière — and sometimes breasts too — at the Chanel collection Monday. Nor the garish prints, the corseted midriffs, the

PARIS FASHIONS

miles of jewelry and the wild evening wear. Wild for Chanel, that is.

Actress Marie-José Nat was shocked. "That's not why I come to Chanel," she said, while another observer noted with chagrin: "Chanel used to be la France!" Somebody else remarked, "It looks like Adolfo," a reference to the New York designer and a favorite of Nancy Reagan's, who has made a killing by adapting and lightening the Chanel look.

The latter remark is unfair, however, because it is what Chanel is all about today. What is left of the famous designer is only a memory. And that is exactly what Hervé Léger, one of Karl Lagerfeld's assistants, is giving the customer. (Lagerfeld himself will be an adviser for the couture collection.)

The new Chanel suit is terribly commercial — and more or less Chanel. The jacket is shorter and the shoulders, those famous shoulders that the late Chanel was always ripping off because she never found them small enough, are now wider. It works with the shorter sleeves (another innovation), but with the regular ones it looks dumpy. The Chanel proportions were almost miraculous. Tinkering with them can be fatal.

Other changes included higher heels, shorter skirts and huge bags, with a model carrying a tote bag — another detail that would have driven the late Mademoiselle up the wall. But sherbet colors, soft pleated blouses and those CC gold buttons and stacks of pearls, were all echoes of the good old days.

Curvy suits were the best of Givenchy's collection, seen earlier Monday. Almost an institution, Givenchy still has the couture charisma. Yet he is much better known in the United States than in his own country.

Hence the elegant, utterly real tone of his clothes; the silk shirtwaist dresses with big bows in front, are just the thing for expensive New York restaurants, while all the light and ruffly evening wear speak of Newport and the Hamptons.

Familiar with American summers, Givenchy delivers fresh, sunny cottons and updated, comfortable chemises.

At Dior, Marc Bohan opened with pretty, white knit maillots and long robes to match. This collection has to sell, judging from the impressive front row of store presidents. Yet, like most of the couture collection, it really boils down to conservative merchandise, without the zing, freshness and creativity of the ready-to-wear talents.

The good moments at Dior's were the black-and-white suits, the mannish pantsuits, with short striped jackets and the bloused short satin dresses at the end.

Joe Dorsey (2)

Chanel's see-through lace dress; Givenchy's fitted suit.

In a season that has been quite rich in swimwear and dressy beach costumes, Jean-Louis Scherrer did some nice draped maillots. Once the designer for Mrs. Valéry Giscard d'Estaing, his clothes now look awfully conventional, especially next to this week's younger, jazzier and peppier collections.

The black collection of Sonia Rykiel was not a surprise, but it was a shade too black even for her fans. Almost mourning. Rykiel is the Jean Muir of French fashion, and although these two designers deal with different fabrics, they both have a dressmaker's hand.

Although she tries her hand at cotton and crepe, Rykiel should stick to knits. Her early short dresses, cupping the derrière then breaking out in ruffles, were adorable, and so were her long cardigans, over a double stack of low ruffles. In between the black, she also had subtle colors, such as grayish blue and almond green.

At Issey Miyake's, the look was a cross between hieratic and tribal, with all kinds of loose, rugged fabrics floating here, there and often nowhere. But Miyake showed stunning, close-fitting, satin maillots under long linen robes in beautiful pastels.

At Lanvin, the prettiest girl was not on the runway. She was designer Maryll Lanvin, a former model and wife of the house's son and heir, Bernard, who delivered a simple, pretty story, just like her. It will sell — if the price is right.

'Cats': Effects Inflated Beyond Reason

By Walter Kerr
New York Times Service

NEW YORK — I must say that those cats at the Winter Garden are making a spectacle of themselves. Indeed, it's the very best thing the sleekly coated creatures are prepared to do.

We weren't precisely surprised, as we walked into the theater that had been extensively renovated for Andrew Lloyd Webber's fresh-from-London "Cats," to note that the space once called a "stage" now spilled over its strangely missing apron to crawl upward and outward over the auditorium's balcony, boxes and even its celestial ceiling. We'd read about the rubbish heap that John Napier was designing to accommodate the prowling and the prancing of some 26 felines whose undulating tails and tigerishly striped legs Napier had also spent nights dreaming about. Just about as we'd imagined it, except for one thing. Its scale.

Napier had made everything oversized, but not too oversized, not as though inanimate objects could ever overwhelm, or even intimidate, the animal kingdom of T.S. Eliot (whose "Old Possum's Book of Practical Cats" provided the evening with its libretto). As we worked our way to our seats, we realized — with a small jolt of surprise — that while a curled-up cat may be no larger than an abandoned hi-fi record, it has legs to leap with and eyes that probably can see more than we suspect. This proportion was right and we knew it before we'd been seated.

With the first big-city clang from Lloyd Webber's hidden 25-piece orchestra, it was clear that the spectacle we were in for was going to be a no-nonsense uprush. We did not go gentle into the back-alley night. Instead of a gradual musical build and a slow fade-in under a muddy moon, we were hit between the eyeballs with eyeballs, what seemed hundreds of pairs of them — green and blinking at us.

On stage, the blackness was now being stabbed by the knifelike thrust of strobe lights, and we were beginning to see haunches hoisting themselves and tails uncoiling as the neighborhood stirred. Then, in overhead patterns of frozen forked lightning, thousands of miniature Christmas-tree lamps staggered on, seeming to make more noise than the accelerating orchestra as the massed chorus of cats began its evening bustle.

What else was happening at the Winter Garden? Oh, quite a lot, taking the occasion as a whole. A sizable circle of blue and white lights that had been biding its time at center stage on the floor slowly began to rise to the heavens, trailing smoke. As velvety cats, scruffy cats, spiky cats and all kinds of cats (in quite stunning outfits) sang their pride in belonging to the Jellicle breed and issued invitations to the coming Jellicle Ball, a properly oversized show was hurled into their midst from some human giant (unseen, of couse) in a window above. A locomotive spouting puffs of steam was put together on the spot for a railroad cat named Skimbleshanks (Reed Jones). A Rumpus Cat (Kenneth Ard) boasted fireball eyes that blazed and simmered ferociously.

A chorus line was so artfully lighted by electrician David Hersey that, as it kick-stepped its way backward into a sky of trailing clouds, it seemed literally to melt into space. A very vigorous cat named Rum Tum Tugger (Terrence V. Mann) kicked a hole in the sky in his eagerness to get into the act, then calmed down sufficiently to bestow a benevolent kiss on the bald spot of a gentleman in the audience. At the end of the evening a Godlike cat named Old Deuteronomy (Ken Page) escorted a down-at-paw whore-cat named Grizabella (Betty Buckley) onto the so-called Heaviside Layer (heaven, in case you're not a cat). The ceiling of the Winter Garden opened to send a traveling staircase to meet her.

And I haven't mentioned the two music-hall turns that appeal to me most. When an Old Gumble cat (Anna McNeely) tossed off her shaggy and bedraggled accumulation of fat and fur to reveal herself as one Jennyanydots in orange-and-white layers of vaudeville fringe and smilingly elected to lead the chorus in a tap routine that seemed to ripple a little sideways (the effect didn't exactly arrive at counterpoint but you could hear the cleated feet nudging each other to move over a bit), I was charmed. And I found myself amused by the mock-operetta performed in a 19th-century toy theater while the principal singers (Stephen Hanan, Bonnie Simmons) were being surrounded by enemy sampans and Mongol pirates wearing those temple-cut headdresses.

In exchange for the price of a ticket, you will get all of the colorful extravagances I've mentioned, and more. You will also get tired. There is a reason for this. Confronted with so much bigness, so much busyness, such a massive sweeping of sounds and bodies from the back stage wall to the lobby doors, we begin to listen very, very hard to the Eliot lyrics (with some alterations by director Trevor Nunn) to see what there is in them to justify such massive illustration, such elaborate fantastification. And, no matter how fiercely we listen, we can't find it. The connection is just not there.

I don't think it matters much whether you are a fan of "Old Possum's Book" or not. It's not a question of resenting liberties taken. (I am less than passionate about the little volume myself, though it is quite understandable that so important a poet might have wished to leave behind him something in the slight, graceful and witty manner of Edward Lear, Lewis Carroll or Hilaire Belloc. For me, even his cats' names are a bit forced; the whimsical sits indifferently on his shoulders. It is possible that this particular poet was too tall to stoop.) The point is that the verses *are* small, casual, almost studiously offhand and unburdened with moral weight. To blow them up to the size of figures in a Macy's parade is to inflate them beyond all reason, beyond such meaning as they possess.

Lloyd Webber's score is, or could be, fun, cheerfully helping itself as it does to any style that comes quickly to hand. Now that we don't know precisely where we're at in pop music, why not ride the range? But when you hear the composer begin to huff and puff in an effort to expand Deuteronomy's godliness (there is none in the lines), you sense men at work, not at play. And when the same Deuteronomy escorts his cat-saint up, up toward the escape-hatch in the roof, the musicians can thank God (the other one) for amplification. Without it, they'd burst.

Director Nunn is put under the same severe pressure. Back walls must unfold like the drawbridges of castles, ground smoke must accompany each orbital trip, the strobes and the lightning-strings must repeat their interruptive flashes again and again, and the cat on the flying trapeze must take off meantime. The business of assembling a locomotive with real wheels isn't anywhere near as effective (or honestly imaginative) as Nunn's putting a stagecoach together, in his mounting of "Nicholas Nickleby," out of no more than the passengers and their luggage. But, you can see, he is forced to repeat and enlarge at any cost, because his source-book demands so little. Gillian Lynne's choreography suffers as well from the need to do, do, do again what she's done, done, done before. The first cat to arch its back or stretch its belly along the floor is charming; the 65th needs a brand new repertoire. Cats may have nine lives; but they don't really seem overendowed with dance steps.

In the end, as the whore who has sung "Memory" (already a hit song) alone under a cloud-streaked moon makes her perilous ascent to the machinery above, we have a strong feeling that scarcely a physical device used in "Jesus Christ Superstar," and possibly in "Via Galactica" as well, has been omitted. Everything's been more smoothly managed here, and there are genuinely engaging moments; the directorial hand is quite steady.

But more and more, and perhaps most obviously in "Cats," we are making our theatrical mountains out of less and less solid rock.

Old Deuteronomy (Ken Page) with adoring felines in scene from "Cats."

Maazel on Tenor Hooks

Compiled by Our Staff From Dispatches

VIENNA — The premiere of Wagner's "Tannhäuser," the first new production of Lorin Maazel's regime as director of the Vienna State Opera, turned into a near disaster Saturday when the tenor singing the title part broke down and walked off the stage.

As Reiner Goldberg, an East German making his debut at the State Opera, started to sing his first aria in Act 1, he was barely audible and clearly nervous. Finally he stopped singing, dropped his harp and left the stage. The curtain fell and shortly afterward it was announced that Goldberg had suffered a sudden breakdown.

The Bulgarian tenor Spas Wenkoff, a regular member of the State Opera ensemble, took over the demanding role, although according to company officials he had not been rehearsed in the production. He sang the part to the end and the entire cast and Maazel, who conducted, received a standing ovation from the packed house.

A State Opera employee who did not want to be named said, "What can you do, he [Goldberg] has a fantastic voice. We heard him during dress rehearsal."

Opera sources speculated that Goldberg's nervousness may have been due to threatening letters received by the cast and Maazel before the performance, but opera officials and police would not confirm the existence of such letters.

When he conducted Vienna's traditional New Year's Day concert after his nomination became known two years ago, anti-Semitic leaflets appeared in the hall. Maazel is an American of Jewish origin and has an Israeli wife.

The "Tannhäuser" premiere had been given a lot of advance attention as the first new production of Maazel's first season as director, and because it blended young talent and experienced artists. Goldberg's partners were Anna Tomowa-Sintow as Elisabeth and Dunja Vejzovic as Venus. It was staged by Otto Schenk.

U.S. Films In Brief

Capsule reviews of films recently released in the United States:

Vincent Canby of The New York Times says Hal Ashby's "Lookin' to Get Out" "is not as bad as Mr. Ashby's 'Second Hand Hearts' though, like that film, it is a showcase in which excellent actors are allowed to make fools of themselves." Jon Voight and Burt Young play two small-time New York gamblers, Alex and Jerry, who travel to Las Vegas "to escape their creditors and to recoup their fortunes." There they meet Patti Warner, which, says Canby, "may be the most thankless role — next to the one in 'I Ought to be in Pictures' — that Ann Margret has ever wrestled with." Sheila Benson of the Los Angeles Times says it's "hard to understand the vision that attracted a director of Hal Ashby's sensibilities and overall track record . . . to the strident charmlessness of 'Lookin' to Get Out.'"

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Larry Peerce's "Love Child" is about a women who has a baby while a prisoner at a correctional institute in Florida. Amy Madigan, a newcomer, plays the unmarried mother and Beau Bridges the prison guard who becomes romantically involved with her. According to Janet Maslin of The New York Times, "'Love Child' is the latest bit of evidence that a film's being based on a true story need not guarantee it an authentic air. In this case, the truth must almost certainly have been stranger than the determinedly simple movie it has engendered." The film does not follow the baby's life in jail as we would expect, but "concentrates on the beginnings of the tale."

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BANKING AND FINANCE IN THE ARAB WORLD

PART II

Part I appeared in yesterday's editions.

Chris Kutschera

BEHIND THE GROWTH: One of the many offshore oil platforms in the Gulf that provide the basic material, oil, for the growth of the Arab banking and finance industries. This platform is off the coast of Dubai, one of the key states of the United Arab Emirates.

A Decade of Consolidation: Management, Staff Training Emerging as Key Challenge

By Caroline Montagu

TRAINING Arab bankers for the 1980s has taken on more urgency, as world financial crises multiply. Many Arab bankers have declared the 1980s the decade for consolidation after the giddy expansion of the 1970s. In this decade, they hope, a cadre of dedicated and skilled personnel will be developed to manage their assets on the world markets, as well as their retail business at home.

The Polish and Mexican debt crises have already accelerated Arabs' managerial needs. Surpluses of declining petrodollars demand more banking finesse — and quickly — as high-spending development plans are already in train.

Ahmad Abdullatif, the deputy governor of the Saudi Arabian Monetary Agency, said recently at a London conference: "Arab oil-exporting countries can move into deficit as quickly as they move into surplus...Arab financial institutions...will be able to play a a vital role when this surplus disappears and the continuing need for economic development remains."

Arab bankers are showing inevitable concern, if not worry, about the small number of skilled personnel around, the training facilities available and whether Arab banks are attracting enough high-quality staff. "We look for competence in the Middle East and we do not find it," said one London-based Arab banker. However, this comment reflects the shift of wealth to the Gulf. The Levant and North Africa have well established banking traditions and training centers; Saudi Arabia and the rest of the Gulf states have not had time to develop enough skills.

The Gulf nations, especially Saudi Arabia, have profited from the brain drain from Jordan, Lebanon, Palestine, Egypt and the rest. Many nationals from these countries have been the moving forces behind banking in the United Arab Emirates and Kuwait. Now, these states want their own nationals at the helm.

Kuwait's somewhat longer banking experience has helped, but experts still complain — often justifiably — that Kuwaitis with inadequate experience, skills and motivation are put in executive posts. In the UAE, Abu Dhabians' expectations of instant chairmanships are very high and their experience limited. In Bahrain, the government has commented on television that Bahraini aspirations are probably excessive.

Of the Gulf countries, Bahrain has most actively tried to develop its nationals' vocational skills. A decree of 1975 clearly established the principle. The Bahrain Bankers Training Center began its first courses on February 28, 1981, four months after the charismatic Gerald H. Kangas arrived as first director and promptly set up a two-year strategic plan. Mr. Kangas, a Citibank vice president seconded from Citibank's New York training school, has been widely applauded for his energy and magnetism. "He could make a railway timetable spellbinding," said a fellow Bahraini banker.

The BBTC trains Bahrainis for banking jobs in the state. It runs up to 32 courses, from elementary accounting and economics through financial planning and credit control, some for a few days, others up to three months. Expecting only 150 registrations in its first year, it ended up taking in 213 Bahrainis in the first half year and nearly 650 in the first full year.

With more than 1,000 Bahrainis on the waiting list, the BBTC it takes other nationalities only when it cannot fill a course. Then participants pay fees. "We've had people," says Mr. Kangas, "from practically every bank from Kuwait to Abu Dhabi and people from 103 different Saudi institutions. Recently a foreign bank rang and asked us to accommodate 300. 'No way,' we said, 'we're not a regional center.'" But he added that there was a need for one.

All banks with a license from the Bahrain Monetary Agency help fund the center. They pay a levy of 1 percent of their monthly payroll and their participants attend free. The center's success, Mr. Kangas notes, "comes from the tremendous cooperation of the local banks, and I couldn't have done it without the support of Abdullah Saif [head of the BMA]; his support has been 100 percent."

Mr. Kangas, who leaves this month, is being replaced in October this year by Albert Woodhouse, a Chase Manhattan vice president from management planning and development. He is leaving to set up in Riyadh a training institute for Citibank's Saudi joint venture, the Saudi American Bank, known as SAMBA. The school will begin on an impressive scale January 1, 1983.

SAMBA wants to staff its branches with Saudis and is very pleased with its recruitment drive. Retaining Saudis against the lures of independent business is another major problem. The Saudi British Bank, formerly British Bank of the Middle East, has been more successful in keeping Saudis in the Eastern provinces, due to Aramco's tradition of clerical work there. The Saudi International Bank, of London and with very close SAMA ties, has had strong marketplace competition for good Saudi trainees. With its role in the new United Saudi Commercial Bank it may be able to train in Saudi Arabia and not London, where it found often that Saudis became homesick.

SAMA has had its own training institute from the beginning. Britain's National Westminster Bank has provided staff, but there have been problems with the motivation of Saudis who regarded training as a bit of a holiday. Recently, SAMA itself has hired an expatriate solely with training responsibilities. With customary Saudi faith, a well-placed Saudi commented: "Saudiization is coming along. Twenty years ago you couldn't find anyone with even high-school training. The SAMA institute is improving daily."

In Kuwait, a semi-government institution, the Banking Studies Center of Kuwait, was set up in 1970 and sponsored by the central bank and the commercial banks. Providing courses in retail banking, the center, from modest beginnings, now takes 120 students a year under the directorship of Dr. Abdullah Ghenem. Courses are divided into two groups: preliminary for three years and more advanced for two years. They are only open to bank employees on half-day secondment from their banks and are taught mainly by teachers from Kuwait University.

The center has branched into a number of practical training courses taught by commercial bankers. The first course in international banking began in 1981; the first in the financial system of Islamic banking will begin in 1983. Though catering primarily for Kuwaiti nationals, both groups of courses have more non-nationals than Kuwaitis.

Like other established Arab banks, the National Bank of Kuwait, Kuwait's oldest and largest, trains in house. At a senior level, officers are sent to courses run by correspondent banks, to Citibank's Athens school, the Chase Institute in New York and to specifically designed courses in Morgan Guaranty and Manufacturers Hanover.

NBK has sent around 50 persons to Athens in the last three years. The deputy general manager, Ibrahim Dabdoub, says these have been "very satisfactory; we have really profited from them." He noted that local courses have "got to be ambitious and intensive and provide us with the people we need." His thrust is finding the right people with NBK, expanding its payroll by 10 percent a year. Out of a total of 42 branches, NBK has about 5 or 6 Kuwaiti branch managers.

The recently set up Arab Bankers Association in London is planning a non-profit training institute for participants of managerial and higher managerial level. Its chairman, Bachir Zouheiri, also group general manager of the European Arab Bank, commented: "Arab banks are short of skills in international banking. We want to help create a new generation of experts. We know it will be expensive but we hope with such a clear need our institutes will be self-financing." Courses are planned in international trade and financing, loan syndication, investment banking, foreign exchange and money markets and country credit-risk analysis.

The ABA has been talking to Jim Byrne, director of Manchester Business School's International Banking Center. Mr. Byrne, with current consultancy on training for Middle East banks, adds that in teaching banking at this sophisticated level it can be tough to

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Cautious Expansion in World Financial Markets

By Peter Truell

ARAB BANKS have been establishing their presence in the international financial markets at a tricky time. Defaults and reschedulings have occurred with increasing frequency both in the sovereign and corporate lending sectors.

Unlike previous waves of international banking expansion — American, European and Japanese — the Arab banks have had little indigenous trade to follow and little local customer base. The international syndicated lending market has thus been one of the first, and easiest, avenues for the new international Arab banks to explore.

Most Arab banks looking to lend and expand abroad have dabbled in the Euromarktet lending field. The more sophisticated have also begun to make an increasingly higher profile in bond syndications.

It has been difficult for Arab banks to strike up customer relationships with Western companies. This is happening only slowly. Western companies and governments have well-established and preferred links with local banks. Establishing a presence in international centers and finding or training the necessary personnel has also acted as a constraint on the new Arab banks in their attempt to win blue-chip Western banking business.

The big borrowers of the last 10 years have been the developing countries and, particularly, the newly industrializing countries of Latin America — Mexico, Brazil and Argentina. Arab banks have found it easier to win a foothold in lending to these countries. Yet, it is here that high real dollar interest rates, high oil prices and low commodity prices and depressed export markets have hit particularly hard. As a result, the loan books of some of the new Arab Euromarket banks may not be altogether healthy.

Arab Banking Corporation, the largest Arab Euromarket consortium bank, with a paid-up capital of $750 million, has led the field of Arab banks in lead-managing international loans since its establishment in Bahrain early in 1981. Its chief executive, Abdullah Saudi, recognizes the possible pitfalls of the international lending market and is trying hard to diversify his banks' activities.

But as Mr. Saudi rightly points out, for a new bank trying to break into international business the Eurolending market is the first area to go into. ABC has been extensively involved in lending to Latin America, southern Europe and the Far East. It has managed to win lead-management positions for some of the bigger borrowers in northern Europe, such as the kingdoms of Belgium, Sweden and Denmark, as well as Electricité de France.

It has recently begun building up a London merchant banking unit. Fred Fisher 3d and a small team that worked with him at Orion Royal Bank have been hired to start a mergers and acquisitions division at the bank's London branch. Yet, merchant banking takes time to develop and Mr. Saudi acknowledges that syndicated lending will remain an important part of the bank's business for the foreseeable future.

Many of the larger Arab commercial banks seeking international business have also taken to international syndicated lending. It has been easier for them to tie such lending to their established business. National Bank of Kuwait, Kuwait's largest commercial bank has been careful to involve itself to only a limited extent in sovereign lending far outside the Middle East. It tends to take part in sydications within the Gulf and for companies with business in the area.

With restrictions on exposure to any one customer in many countries in the area, local loan syndications have come to be an important way for banks to put together money for a large facility in the Gulf. The Saudi locally syndicated lending market has grown up from nowhere just in the past four years.

Local loan syndications can, of course, be

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Insurance Industry Registers a Decade of Steady Growth

By Sarah Searight

INSURANCE, like most other fields of business in the Middle East, has seen substantial growth in the last 10 years. But it is a relatively new concept to much of the area.

Is one or is one not gambling when one insures against a risk in the area? Islamic leaders have been somewhat ambivalent. Some define it as a kind of gambling; others argue that gambling involves risks created by the gambler while insurance guards against the risks inherent in the ordinary business of life.

It is a conundrum to which Islam, having posed it in the first place, is content generally to turn a blind eye. But it has created a curious situation, notably in Saudi Arabia, where insurance as such is supposed to be nonexistent yet all government contracts must be insured. The authority of the religious leaders is, however, sometimes matched by that of the government, and it has been through the government's insistence on insurance for its projects that the idea is coming to a general acceptance.

Some countries get around the problem by nationalizing business. Algeria, Libya, Egypt, Syria, Iraq and Iran only operate through state institutions, though Egypt acknowledges a kind of competition by having three national companies. Saudi Arabia has no insurers except for limited-liability corporate insurers, but a number of Saudi businessmen have set up offshore joint ventures in Bahrain with foreign partners.

Legislation is slowly being assembled up and down the Gulf to regulate the free-for-all that sprang up in the wake of the area's development in the 1970s. In the United Arab Emirates, once considered one of the most over-fished markets in the Middle East, federal legislation has already been drafted and should be in use by the end of the year. Several other countries, notably Kuwait, Qatar and Bahrain, insist on the registration of insurance companies and restrict the number allowed to operate.

As with other aspects of development, many Arab countries wish to see the insurance business as far as possible in local hands. In Abu Dhabi, for instance, all government business must be insured with one of four local companies; the same applies in Qatar. Such companies make their money on commissions and reinsure overseas, mainly through London.

The last year, however, has seen a giant newcomer emerge on the Gulf scene, the Arab Reinsurance and Insurance Group. This was set up in mid-1980 by Kuwait, Libya and the UAE, with its headquarters in Bahrain. ARIG's paid-up capital is $150 million but its authorized capital is $3 billion, putting it immediately among the ranks of the biggest reinsurers in the business.

It has a dual purpose — to complement existing insurance centers ("There's more than enough business," says Lloyds) and to exploit a new means of investing the oil surpluses of the major oil exporters. It has already in its first year clocked up an impressive $80 million of reinsurance business, despite certain teething problems in recruiting expertise, as well as among the management. International brokers are supporting ARIG strongly, notably the Sedgwick Group, ARIG's lead brokers.

The helter-skelter rush to development, albeit slowing down these days, has given rise to particular insurance risks for contractors as well as governments. Political risk, decennial liability and fraud are some of the headaches. Private-sector insurance, under the heading of political risk, covers the contractor against such local hazards as expropriation, nationalization or premature calling of performance bonds. Priority of projects is taken into consideration when assessing the political risks: infrastructure projects are more likely to survive a revolution than palaces.

The rising demand for decennial liability has been much in the news and reflects the dubious reputation of a few contractors at the expense of the majority. Originally part of the Napeoleonic Code, decennial liability demonstrates a general concern over building standards (the addiction of the wealthy Arab to palaces is often said to arise from his suspicion that none will last more than a few years) and, in particular, the client's concern that his contractor does not overextend himself and go bankrupt.

Decennial liability places a responsiblity on developers and contractors for structural

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BANKING AND FINANCE IN THE ARAB WORLD

Kuwaitis Weather Brief Stock Market Crisis, but Root of Problem Remains

By Shakib Otaqui

KUWAIT'S financial system tottered briefly at the end of August, as the speculative bubble on the stock markets that has dominated the country's financial sector for more than a year came close to bursting. But timely intervention by the government and the private sector, not to mention Kuwait's unique approach to business, have helped to defuse the crisis — at least for the time being.

After three days of acrimonious debate last week, the National Assembly decided to postpone the endorsement of a decree designed to check rampant stock-market speculation. It referred the matter to a five-man legislative committee that was to review the government's plan and alternatives suggested by assembly members and report back to parliament this week.

The boom was set off by the relative absence of productive investment opportunities at home and fears about the risks of investment abroad. These were exacerbated by the freezing of Iranian assets by the United States during the Teheran hostage crisis and, more recently, by the freezing of Argentine assets by Britain during the Falklands crisis.

The limited number of shares available on the official stock exchange — there are still only 40 companies listed — led to a search for alternative instruments. Kuwaiti investors turned to other Gulf countries, registering companies there mainly for the purpose of trading their shares in Kuwait. Most — though not by any means all — of these companies had little real purpose beyond providing the means to make speculative fortunes on the unofficial stock market, known as the Souk al-Manakh.

The boom was stimulated by the uniquely Kuwaiti mechanism of futures trading using postdated checks. The buyer immediately received the shares, which he could then use to keep the cycles going. The seller had a postdated check with a built-in interest rate reflecting expectations of the share's future value.

Millions were made from the system, as more and more traders jumped on the bandwagon. The interest rates on some postdated transactions reached the 300-percent level. The system worked so long as liquidity flowed into the system.

A number of factors joined together in midsummer to destabilize the system. Liquidity shortages developed as the small fry joined the game, without the resources to back the volume of checks they issued. Iranian successes in the Gulf war on Kuwait's doorstep stimulated a small but not insignificant flight of capital abroad. And lower oil revenues forced the government to reduce the rate of growth in its spending, further shrinking available liquidity.

But the real fly in the ointment came from Kuwait's commercial law, which does not recognize the validity of postdated checks. A check is considered valid at the time it is signed regardless of the nominal date, and the holder can present it to the drawer's bank for payment at any time. And Kuwaiti law provides for five years' imprisonment for issuing a check with insufficient funds to meet it.

The risks this presented — by giving the holder of a check enormous power over its issue — was minimal so long as trading was restricted to a small circle of investors from Kuwait's leading merchant families who knew and trusted each other well. But the risks grew enormously as more and more people were drawn in, both from Kuwait and also from other Gulf countries.

Such people were particularly susceptible to panic at the first sign of trouble and could not be depended on to resolve problems in Kuwait's traditionally easygoing give-and-take manner.

This did happen when a leading dealer faced a liquidity crisis at the end of August and was forced to declare bankruptcy. There was an immediate rush to cash in postdated checks — and to prosecute issuers with insufficient funds. All the ingredients for a spectacular crash were there, and many outside observers consider the survival of the system so far as something of a miracle.

With government encouragement, the leading participants moved fast to underpin the markets. They set up committees to settle the affairs of traders who were overcommitted and facing bankruptcy. They made available more than $1 billion to a newly established clearing company to "net out" outstanding positions. And they are forming a jobbing company to act as a market-maker for securities.

The government, meanwhile, has moved rapidly to update the commercial law to prevent the premature calling of postdated checks and to take further powers to control the markets.

Kuwait's financial system is centered on the six national commercial banks, which have grown enormously in recent years on the tide of petrodollars. No foreign banks are permitted to operate, apart form a branch of the Bank of Bahrain and Kuwait, in which Kuwaiti institutions have a 50-percent share. There is also a relatively small — but very profitable — Islamic Bank known as Kuwait Finance House.

Kuwait's commercial banking market has become increasingly competitive, indeed overbanked in the view of many observers. The banks have, therefore, sought growth and profits on the international scene and are rapidly establishing outposts in the financial centers of Europe, North America and the Far East.

They are very active in international Euroloan and bond syndications — joined quite often by the Industrial Bank of Kuwait, the most aggressive of the three specialized banks. All the banks also compete strongly for contract-related loans and guarantees, as well as the financing of Kuwait's extensive import and transit trades.

The Central Bank of Kuwait has been moving to impose greater control over the financial system. Banks must now have 60-percent of their lending portfolios as term loans, in constrast with the position some years ago when most lending was through overdrafts. The rate of growth of bank lending has also been restricted to 26 percent a year and there are fairly high reserve requirements. These controls are designed to limit lending for non-productive purposes — though opportunities for productive lending remain limited in Kuwait's small market.

Bank lending was deeply involved in fueling the speculative boom on the stock markets, though few bankers will admit it on the record. Bank profitability may decline slightly as government controls reduce the speculative fever.

Jordan's Economic Record Reflects Sound Management

JORDAN'S economic performance through 1981 was a tribute to its sound management and its stability within the turbulent Middle East.

For a country endowed with few natural resources — potash, phosphates and limestone — a gross domestic product rate of 8 percent to $3.7 billion and a balanced current account in 1981 was creditable.

However, Jordan has more than this: the inestimable resource of a skilled manpower base.

It is too early to tell if Jordan's economy over 1982 will be adversely affected by the political upheavals in Lebanon or whether the continuing hostilities between Iran and Iraq will damage the hefty aid and grant inflows from Arab states, in particular from Iraq.

Conversely, Jordan could profit in the short term from uncertainty in the Gulf, which, though possibly lowering official flows, could increase private capital transfers from the Gulf to more tranquil Amman.

The ambitious 1981-85 five-year plan is reasonably on line so far. The plan foresees a 17-percent annual growth in the industry and mining sector and a nearly 20-percent growth of exported goods and services.

Over 1981, exports increased by 41 percent to 242.6 million dinars, mainly from expanded exports to Iraq of light manufactured goods and food products. Trade with Iraq through Aqaba and overland has strongly stimulated Jordan's local light manufacturing sector.

In 1981, phosphate production increased by 8.5 percent and the industrial sector should show a good increase in 1982 from the inauguration of the Dead Sea potash project and the export production from June 1982 of phosphate fertilizers.

The construction boom of 1980 leveled off in 1981 when its percentage of commercial bank credit dropped from 32 percent to 28 percent, or 201 million dinars.

In spite of good results from exports, Jordan's trade balance has deteriorated through a vastly increased import bill totaling 1.056 million dinars, up 48 percent on 1980. Even if both the one-off, $250-million aircraft purchase by the Jordanian airline Alia and the figures for re-export to Iraq, Syria and Saudi Arabia are taken out, the trade deficit was an unhealthy 374 million dinars.

The five-year plan calls for total investment of roughly $10 billion, of which the government expects to source 60 percent locally and the rest from outside, mainly from Arab sources. Observers' reservations about Jordan's ability to generate these funds are met with official optimism.

Jordan is heavily dependent on two main sources of foreign exchange, both possibly subject to political circumstances. They are Arab aid and grants and worker remittances, which together totaled around $2.4 billion in 1981. Tourism and private foreign investment are other sources.

Although there is a bullish feeling that if one Arab state finds difficulty in meeting aid commitments, as did Algeria and Libya, others will come forward, the absolute volumes of Arab aid committed to Jordan represent an ever lower percentage of Jordan's import bill or of gross domestic product. Workers' remittances, though unlikely to decline for external political reasons, depend on Jordan's domestic stability.

The expansion of the banking sector at the end of the 1970s and beginning of the 1980s has been a considerable success story, for which the Central Bank of Jordan deserves credit.

It aimed to mobilize domestic savings and to direct more financial resources to the cash-hungry productive sector. The effect has been an increase in longer-term deposits. In 1981, savings and time deposits were 68 percent of total bank deposits, showing a steady annual rise from the mid-1970s.

The central bank has brought this about by a series of measures, varying commercial banks' reserve requirements for different types of deposits, raising required investments and lowering some statutory liquidity requirements. The bank has also varied the interest rate structures, gradually raising the rates for term deposits.

The central bank has moved more directly in other areas. In mid-1981 it demanded that banks allocate 6 percent of deposits, except non-residents' foreign exchange deposits, to government or commercial bonds and 4 percent to treasury bills. By the end of 1981, the central bank and commercial banks held 113 million dinars in government bills and bonds, according to Said Nabulsi, the governor of the central bank.

Another activity stimulated by the central bank has been the development of a local syndicated loans market in Jordanian dinars. By February 1982, 82 million dinars of syndicated loans had been raised.

These loans, mainly for local corporate borrowers, have a double attraction. Being in local currency, they avoid foreign exchange exposure and are tied to an interest rate structure normally lower than the Euromarkets. The central bank has increased the pull of such loans by offering to rediscount usually 50 percent of a bank's share in a local syndication for the life of the loan.

The bank's decision not to issue further commercial bank licenses but to promote the setting up of investment companies and other specialized institutions has been another stimulant.

The present three main investment companies, the Arab Jordan Investment Bank, the Arab Finance Corporation (Jordan) and the Jordan Securities Corporation, all set up in 1979, were effective in 1981 and an encouragement to others to apply for such a license.

— C.M.

A commercial street in Bahrain, important Gulf offshore banking center.

Management Training Proves Key Challenge

(Continued from Page 9S)

find lecturers with professional credibility to banking participants. Furthermore, the subsequent secondment after training needs considerable care to ensure participants get practical experience of their training.

Shortages of middle and upper management are worldwide in banking.

Gulf International Bank, of Bahrain, is after professional staff from no matter where. Khalid al-Fayez, the general manager, says, "We can absorb all the Arabs we can get, and more." GIB in 1981 had a net addition to staff of 70-75, of which 30 were key personnel. Mr. Fayez looks to recruit 100 more in 1982 from a current payroll of around 300. Of this 100, 80 will be professional. Arab Banking Corporation's senior vice president, Morven Hay, was explicit: "We don't train. We've been so busy we haven't had staff to spare for training." He noted that the design for ABC's new headquarters included a large training area.

Hitherto, Arab banks have mainly relied on the training programs of U.S. and British banks. Chase has also apparently scored with its traveling courses, among which was one recently in Bahrain on computing. Other methods have been setting up consortium banks, such as Union de Banques Arabes et Françaises (UBAF), Banque Franco-Arabe d'Investissements Internationaux (FRAB) or Banque Arabe et Internationale d'Investissement (BAII), or arranging management for technical assistance contracts.

Arab World and Aid: A Lesson in Cooperation

By Richard W. Lombardi

PARIS — Pierre Teilhard de Chardin, anthropologist, priest and mystic, noted at the twilight of his career that "what is decisive is not always where one is looking, but where one is looking from." This maxim, which deserves adequate reflection regardless of the nature of the object that one is analyzing, is particularly relevant when looking at the aid programs of Arab/OPEC nations, that is, the Arab members of the oil cartel.

The World Bank noted in its 1982 Development Report that six Arab/OPEC oil exporters will realize a current-account surplus of at least $35 billion this year — Kuwait, Iraq (now a deficit country), Libya, Qatar, Saudi Arabia and the United Arab Emirates. This same group of countries accounted for nearly 70 percent of total world oil exports in 1981, compared to about 50 percent in 1974.

Meanwhile, the current-account deficit on non-oil developing countries will surpass $90 billion by the end of 1982, against half this amount three years ago. The International Monetary Fund has called recent deficits "unsustainable," although they continue.

It would seem, of course, that the rich are getting richer and the poor poorer as a direct function of Arab/OPEC oil price increases. The assumption is that there exists a direct correlation between increasing oil receipts in the Arab countries and growing poverty elsewhere.

A brief review of Arab/OPEC concessional aid policy should shed interesting light on the issue at hand. The topic itself remains a central one at most international aid forums, as was the case at the recent World bank meetings held in Toronto.

Are the Arab oil countries getting rich at the expense of the poor? When asking this question, one should remember that the Arab/OPEC states themselves continue to be ranked as "developing countries."

The poor are getting poorer for a number of reasons only some of which are related to higher petroleum prices.

Firstly, the poor are getting poorer because of falling world market prices for primary commodities, particularly tropical food products, such as coffee and cocoa, as well as most primary metals. The World Bank's Primary Commodity Price Index has dropped 22 percent over the past 18 months.

Continued protectionist trade policy in the West has compounded the problem. This is especially true regarding the local processing of raw materials and food products within the country of origin. The major importing countries in the North enjoy a near monopoly on "value added."

Secondly, and most important, the poor are getting poorer because of high inflation rates within the economies of their major suppliers, the West. The prices of manufactured goods have led to oil price increases, not vice versa.

Thirdly, deficit budgetary spending, offset by anti-inflationary monetary policy in most Western economies, has added a crippling impediment to Third World development.

In addition to imported inflation, the cost of foreign debt has nearly doubled in the course of 1981-1982. Interest payments on medium-term and long-term external debt exceeded $45 billion in 1981 alone. The interest burden of non-oil developing countries will exceed $55 billion in 1982, that is, more than half the overall current-account deficit of the group of countries in question. In this instance, a poor country's current-account deficit represents a positive flow into the world's major capital markets, a sort of sweetener to budgetary deficit and tight money policy at home.

In other words, government-induced inflation in the West is not only robbing our parents (the people that produced the wealth) and our children, those who will need to pay for our mistakes, but also the children of others — that is, the children or the world's poorest.

Accordingly, foreign-aid responsibilities between the Western powers and the Arab/OPEC countries are at best shared ones. The Arab countries recognize this and seem to be doing more than their fair share — in both percentage and aggregate terms.

At the start of the World Bank meetings in Toronto, it was noted that between 1973 and 1981 Arab/OPEC concessional aid averaged 4 percent of cumulative gross national product.

The Western powers as a group have never reached the agreed targeted ration of 0.7 percent of GNP. The largest country, the United States, has had difficulty in surpassing 0.25 percent.

Arab aid contributions are even more impressive when it is noted that per capita income in the Arab world is approximately one-third that of the member countries of the Organization for Economic Cooperation and Development. Equally important, Arab/OPEC aid money has not been tied to corresponding exports as is normally the case with concessional assistance from the West.

Net disbursements of concessional assistance by Arab/OPEC countries reached nearly $6.5 billion last year. The largest donors were Saudi Arabia ($3 billion), Kuwait ($1.2 billion) and the U.A.E. ($1.1 billion). Qatar remains the most generous aid donor when measured against relative GNP.

In 1981, Arab/OPEC Official Development Assistance reached approximately 15 percent of world total.

Excluded from these figures are the increasing contributions that Arab States are making to the operation of the World Bank and the IMF. Unlike the United States, the Arab/OPEC countries have agreed to proposals for a doubling of the capital of the World Bank and to substantial increases in the lending activities of the Internaitonal Development Association.

In May 1981, the IMF signed a loan agreement with the Saudi Arabian Monetary Agency under which the fund may draw up to SDR 8 billion from SAMA.

During the period 1981-1982, IMF standby and extended loan arrangements reached an historic high of SDR 11.3 billion. Without increased Arab/OPEC support IMF intervention would have declined at a time when the global financial system is riding on particularly rough waters.

Finally, the Arab/OPEC states now account for about $4 billion, or 15 percent, of the World Bank's outstanding debt obligations. This compares favorably with the much larger economies of West Germany at 23 percent, the United States at 17 percent (Washington prefers voting shares only) and Japan at 16 percent.

Thus, when it comes to the recognition of global interdependence, the Arab/OPEC states are by no means on the outside looking in. They understand aid logic — as did the United States at the end of World War II — and appreciate its consequences. As the OECD points out, the Arab/OPEC states are the only grouping of countries to rationalize their foreign assistance programs through standardization of disbursement procedures, project appraisal and loan administration.

Inasmuch as there are approximately 40 major donors participating worldwide in the "aid business" and something like 120 recipients it makes dollars and sense to coordinate.

When one talks about economic cooperation, one cannot point the finger at the Arab/OPEC countries. The Arab world recognizes that economic cooperation is a two-way street. They also recognize that the world economic system is a one-planet enterprise. The proof of such a statement can be found in Arab aid programs and in Arab attitudes toward the World Bank and the IMF.

هكذا من الأصل

BANKING AND FINANCE IN THE ARAB WORLD

Bank Ownership in the Maghreb

Country	Arab banks/ Arab-Western consortia	Major shareholders	% share
Algeria	Banque Exterieure d'el-Djazair	State-owned	100
	Banque Nationale d'el-Djazair	State-owned	100
	Credit Populaire d'el-Djazair	State-owned	100
	Banque Algerienne de Developpement	State-owned	100
Morocco	Banque Centrale Populaire	Moroccan government	30
	Banque Commerciale du Maroc	Credit Industriel et Commercial	35
	Banque Marocaine de Commerce Exterieur	Moroccan public sector	58
	Banque Marocaine pour le Commerce et l'Industrie	Banque Nationale de Paris Intercontinentale	50
		Moroccan shareholders	50
	Societe Generale Marocaine de Banques	Societe Generale	36
		Moroccan Interests	50
Tunisia	Societe Tunisienne de Banque	Tunisian government	52
		Private Tunisian interests	48
	Banque Nationale de Tunisie	Tunisian government	25
		Caisse locale de Credit Mutuel	13.5
		Societe d'Economie Mixte	33

Source: MEED Financial Directory 1982. Shareholdings of less than 10 percent are not listed. This list includes only the larger commercial banks in the Middle East.

Maghreb Nations Seeking to Diversify Trade, Attract Foreign Investment

WESTERN companies are taking an increasing interest in the Mahgreb, a part of the Arab world many have hitherto neglected, partly because of a tendency to regard it as the preserve of the French.

For their part, the Maghreb states — Morocco, Algeria and Tunisia — are making considerable efforts to diversify their trade partners and attract foreign investment.

In the 1970s, the oil states of the eastern Arab world were perceived as a region of opportunity; now, the Maghreb is also viewed as an area of growing business potential.

This summer, the Morrocan parliament approved a new investment code. Foreign investors are permitted 100-percent ownership of companies for the first time and will be entitled to remit all profits after tax to their home base. There are special incentives for job creation and for the location of ventures in new industrial zones.

During the past few years, Morocco has succeeded in attracting foreign partners in joint ventures, mainly from France and Germany. It has also become a center for subcontracted work, particularly from European textile companies. Companies from Britain, the United States and Canada are stepping up investment.

Morocco is anxious to boost exports. In 1981, the trade deficit was a record 10.3 billion dirhams, partly as a result of a disastrous drought that led to a 60-percent increase in food imports.

In April, the International Monetary Fund approved a $580-million two-part loan to replace a loan of $800 million in special drawing rights — approved in September 1981 — that was canceled because of Morocco's inability to meet the conditions. A combination of the drought, a drop in the world price for phosphates and the depreciation of the dirham against the dollar was blamed. The war in the Western Sahara is also a constant drain on resources.

The gross domestic product fell by 1.6 percent in 1981 to 31.86 billion dirhams at 1969 prices, the first drop since 1966. The balance of payments deficit was 447 million dirhams.

The energy import bill is of nightmarish proportions, and officials were heartened by the news early this year that natural gas and condensate had been found in a test well in the onshore Essaouira Basin. The well was part of an exploration project supported by a $50-million World Bank loan.

The recent demise of synthetic fuel projects in various parts of the world has, however, cast doubt on Morocco's plans to exploit its vast oil shale reserves.

German companies are particularly active in Tunisia, and of the 300 export-oriented joint ventures, about 100 have German partners and 80 have French partners. Germany has overtaken France as Tunisia's main supplier of equipment.

Tunisia has two investment laws, one covering industries designed for the local market, which must be joint ventures, and the other applying to 100 percent export industries.

Tunisia is to invest 8.2 billion dinars in its sixth development plan, which runs to 1986 and aims for an annual growth rate of 6 percent. It is intended that 300,000 jobs should be created.

Arab sources are expected to provide a third of external funding for the plan.

An interesting development has been the arrival of joint venture banks set up with Kuwait, Qatar, Abu Dhabi, Saudi Arabia and Algeria, with plans for a bank with Bahrain.

The new banks aim to create machinery to identify, evaluate and monitor investment opportunities and to mobilize long-term funds.

The 20th anniversary of Algerian independence has coincided with a distinct loosening up of the economy. In July, the parliament approved a joint venture law under which foreign companies will be able to take part in investments with state companies, which will have majority control. Various tax incentives are provided.

The aim is to attract technology as well as capital. Earlier in the year the government adopted a new investment code with guarantees and incentives for the private sector. It is hoped this will mobilize private savings, particularly from Algerians working abroad.

Another move aimed at mobilizing savings, this time in rural areas, was the opening in June of the Banque de l'Agriculture et de Développement Rural. This will take over agricultural financing from the Banque Nationale d'Algérie and will provide farmers with long-term credit on easy terms. The agricultural sector has been badly neglected and food import bills are soaring.

The government has become impatient with the tendency of many Algerians to keep their cash at home rather than use the banking system.

In May, regulations were announced to encourage the use of checks. They included the use of checks and credit transfers by public bodies except to pay salaries of less than 2,500 Algerian dinars.

S.T.

2 Years of War Drain Iran and Iraq; Outcome Is Crucial to Gulf Neighbors

By Michael Ritchie

TWO YEARS of war have severely drained the human, material and financial resources of Iraq and Iran.

Iraq, deprived of its ability to maintain oil exports, has run itself into huge debt to sustain the war effort and keep up a steady pace of development.

Iran, also suffering from reduced oil earnings but learning to live in a society far less affluent than the shah's regime and with greatly scaled-down development ambitions, has whittled away its previous substantial currency reserves. Also, a great deal of badly needed money remains tied up in foreign accounts being used to settle U.S. claims.

The financial aspect of the conflict has already spread beyond the two warring countries. Saudi Arabia and Kuwait have come to Iraq's aid with generous loans, fearful of Iranian designs on exporting its revolution throughout the region. U.S. bankers say Iraq's Arab allies have committed about $18 billion in loans.

But the involvement of the Gulf countries could well become deeper, especially if Iran decisively wins the war, as has often seemed likely during 1982.

Among Iran's conditions for a cease-fire is the payment of war reparations, variously estimated at $20 billion to $150 billion. With Iraq hardly in a position to meet such claims, the burden would, in the event, probably fall on the Gulf states.

The six member states of the Gulf Cooperation Council, the three richest members of which are Saudi Arabia, Kuwait and the United Arab Emirates, have total foreign assets in excess of $300 billion.

More important to the leaders of Iran and Iraq are the vast funds that will be needed to rebuild housing, infrastructure and key installations. Iran, for example, plans to rebuild completely the border town of Hoveyzeh, razed to the ground by retreating Iraqi troops in May 1982, and may also have to do the same for Qasr-e-Shirin, near Kermanshah.

The means of financing this reconstruction will pose problems for both sides.

The oil market remains weak. Iran keeps exports at about one million barrels a day largely because it cannot find buyers for much more. And Iraq's Oil Ministry has announced that it is likely to be up to two years after the end of the war before the country can return to an export capacity of 1 million barrels a day.

It seems likely that when the war finishes, and providing there is some guarantee of relative stability, the world commercial banking community will have a role to play in lending for reconstruction.

Iraq is the most likely to tap the Euromarkets, possibly through private placement at first.

The country has a solid financial reputation, as shown by its last foray into the Euromarkets. That was in 1978 when the central bank renegotiated a standby credit agreement. It carried a spread of ½ percent above the London interbank offered rate (Libor), putting Iraq in the same borrowing group as industrial nations and leading international corporations.

Iraq's path to the Euromarkets would probably be through Arab banks, likely to offer more favorable terms than others. Once a good market position was established, it would hope for terms at least as good as those obtained by Libya in late 1981 when a $250-million loan carried a spread of ½ percent above Libor for seven years, including three years' grace.

Among the Arab banks that could take the lead in syndicating a loan for Iraq are Union de Banques Arabes et Françaises, which led the 1978 credit and in which Iraq's Rafidain Bank has a 10.76 percent share, and Gulf International Bank, in which the government of Iraq has a 14.3 percent holding.

Iraqi authorities have already been seeking new methods of financing large construction projects.

Contractors bidding to build the first stage of the Baghdad-Basra railway were asked in mid-1982 to submit a bid on supplier credit terms as an alternative to the straight cash bids being prepared. A West German delegation to the Iraqi capital was told that the practice of paying in cash, which has been normal in Iraq, could not continue in the same way and that Iraq hoped for understanding from its international trade partners.

In spring 1982, Iraqi President Saddam Hussein announced a period of austerity, urging the public to economize and thereby cut imports, and said that spending in the contracting sector was to be rationalized.

A Baghdad official said, "At present we are not inaugurating new nonurgent projects, but contracts are still being awarded, with priority going to the repair of war-damaged installations and other war effort projects."

Tayeh Abdul Karim, the oil minister, said, "We are going ahead with all projects that have been signed for or are under implementation, but we have suspended the projects that are in the feasibility study stage or have not yet been officially signed for."

Several companies had contracts frozen at the letter of intent or signature stage but have been told that they will be compensated for inflation once projects have been revived. One contractor was told to return in six months to discuss one project, and in a year to discuss a second.

In mid-1982, it was reported that Iraq was withdrawing yen deposits held in Japan to help meet the cost of the war, although the total sum was probably less than $100 million.

In a seemingly nonchalant gesture, Iraq and Brazil set up a joint venture bank in Rio de Janeiro in March 1982. Banco Brasileiro-Iraquiano, capitalized at $17.5 million, was formed to attend "the needs of the growing trade, to strengthen and increase economic cooperation."

Iraq's financial reserves have fallen from about $18 billion in early 1982 to a present level of probably less than $10 billion.

The war's toll on human resources has also been great. An estimated 20,000 to 30,000 troops have been killed in action while many thousands more have been taken prisoner. About 12,000 men surrendered when Khorramshahr was recaptured by the Iranians earlier in the year.

Iran, too, has expended large amounts of cash on the war and lost many people.

Unlike Iraq, it is unlikely to tap the financial markets for some time because of the Islamic revolutionary government's distaste for Western banking methods. Iran's post-revolution relationship with Western banks has been turbulent and the response to an Iranian loan syndication would probably be embarrassingly small, and the interest rates unattractively high.

Iran seems to have met the challenge of the massive reconstruction program confronting it by a radical change in trading patterns and partners. Several commercial deals have been reached in recent months with East European, Third World and Islamic nations, often involving a barter of Iranian crude oil in exchange for goods or services.

This switch in trading partners has been achieved largely at the expense of Western countries, formerly deeply involved with the shah. Trade with the United States is negligible, and France, which has given refuge to the exiled former president, Abolhassan Bani-Sadr, is no longer welcome in Iran. West Germany has seen its trade volume fall, although Japan is still very active.

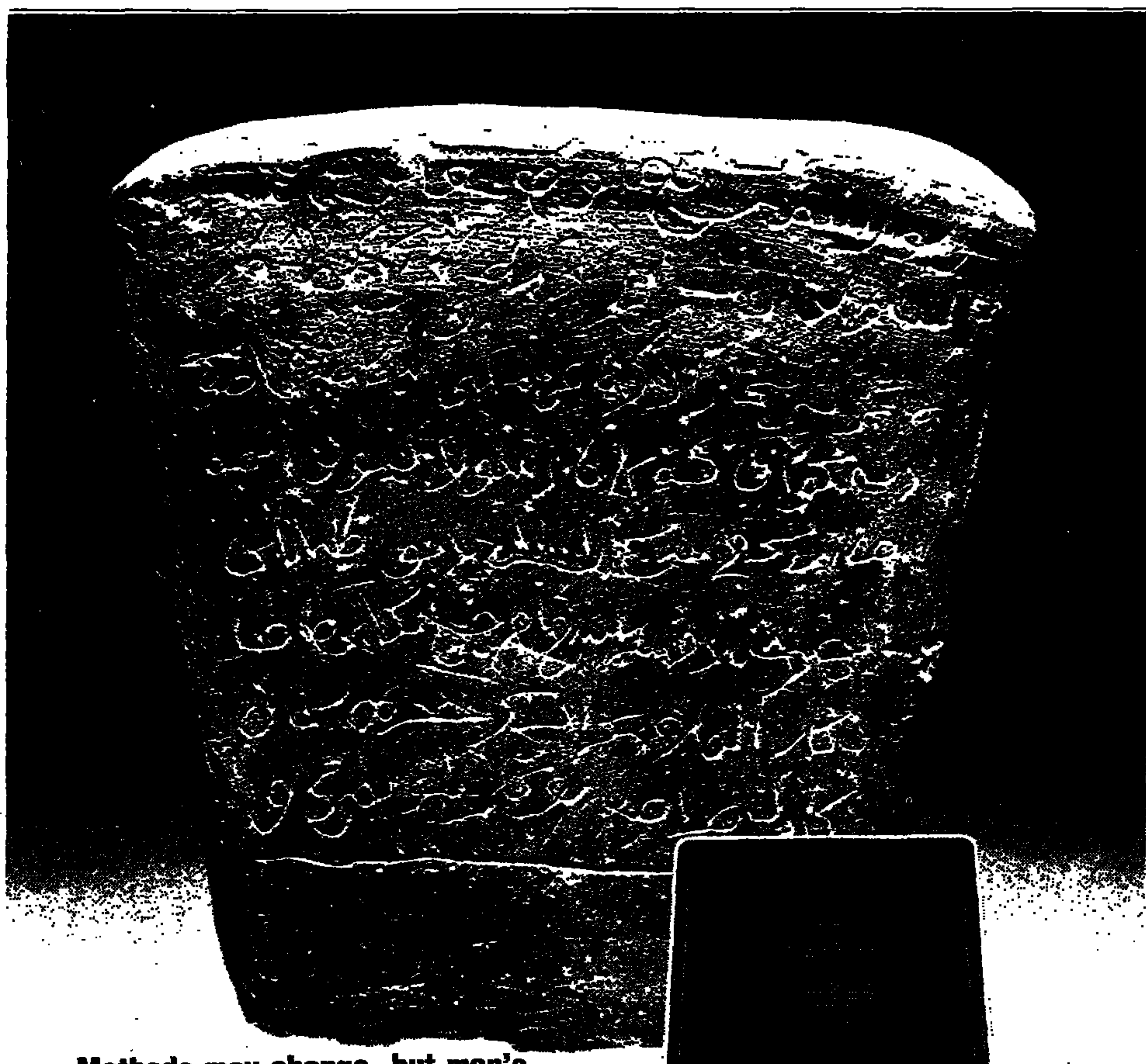
A mid-1982 breakdown of expatriates working in Iran showed there to be about 2,000 Italians, many of them working at the Bandar Abbas port development; 1,000 West Germans and 1,000 Japanese. The number of Britons was about 25 and there were about 15 Dutch staff. The number of East European and Soviet technicians is believed to be about 2,000.

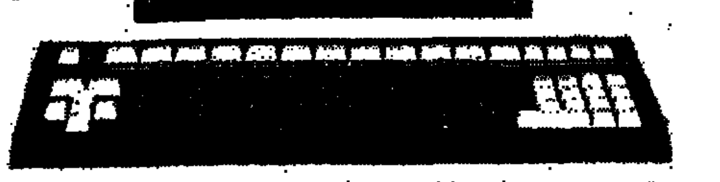
Self-reliance is a priority of the Tehran government, and although some foreign expertise will continue to be needed, skilled expatriate staffing is unlikely to return to pre-revolution levels of more than 150,000.

Iranian resilience in keeping its economy from going under has defied the predictions of many observers.

When Ali Reza Nobari, the former governor of Bank Markazi, the central bank, fled into exile in late 1981, he gave the Tehran regime only a matter of months before economic conditions forced its collapse.

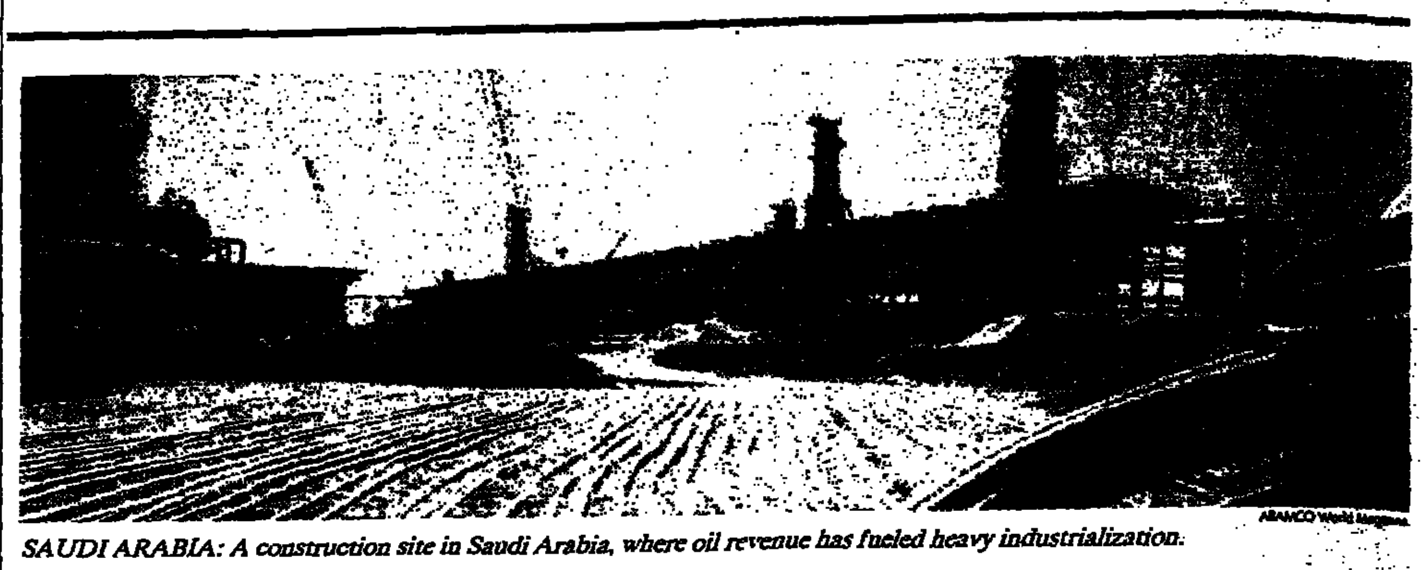
Equally confounding to its critics has been Iraq's determination to press ahead with ambitious and costly development projects during a period of financial hardship, and the ability of President Hussein to remain in power despite severe setbacks in the military field.





Kuwait has the third largest proven oil reserves in the world – and financial skills to match.

BANKING AND FINANCE



SAUDI ARABIA: A construction site in Saudi Arabia, where oil revenue has fueled heavy industrialization.

Saudi Clampdown on Moneychangers Limits Them to Currency Exchange

By Susannah Tarbush

THIS HAS been an eventful year for Saudi banking. Last December new regulations were published imposing strict controls on the activities of moneychangers. Although an official clampdown had long been expected, the toughness of the new measures took many by surprise.

Moneychangers have operated in the Arabian peninsula since ancient times and today offer a range of services going far beyond currency exchange. They include accepting deposits, placing funds abroad, dealing in stocks and shares and providing services related to construction and property.

The moneychangers cannot deal directly with the Saudi Arabian Monetary Agency and are not subject to its regulations. Their small staffs, low overheads, large number of branches even in remote areas and willingness to operate outside normal banking hours have enabled them to provide a highly efficient and competitive service.

It has been estimated that their assets are equivalent to around a quarter of the total assets of the commercial banks. The most important of the moneychangers is the Al-Rajhi Company for Currency Exchange and Commerce, created by the four Al-Rajhi brothers in 1978. It has paid-up capital of 600 million Saudi riyals and 170 branches.

Under the new regulations, the moneychangers will have to restrict their business to currency exchange.

They will have to keep a proportion of their assets as reserves, some of which must be deposited interest-free with the Saudi Arabian Monetary Agency, and their balance sheets will be subject to checks by the agency. No new licenses are to be issued, and the holders of existing licenses must resubmit them for official approval.

The moneychangers have until the end of the year to stop taking deposits. It is intended that the process of eliminating the moneychangers' business not directly related to currency exchange will be completed by the end of 1984.

Fresh controversy over the role of the moneychangers broke out in July when the Saudi authorities forced the Dammam-based Abdullah Saleh al-Rajhi Establishment to stop its activities. After heavy losses in speculation in gold and silver dealings, the company had failed to pay international debts said to total $300 million.

The affair was a considerable embarrassment both to the Saudi government and to the Al-Rajhi Company for Currency Exchange and Commerce. This has long dissociated itself from Abdullah al-Rajhi, whose father is one of the four brothers who created the original Al-Rajhi company.

The Saudi banking community has welcomed the authorities' decisive move against the moneychangers.

Bankers have long complained that they were put at a considerable disadvantage in relation to the moneylenders by the strict controls on banking. Deposits are limited to 15 times a bank's capital base: 50 percent of any excess must be deposited interest-free with the monetary agency. Lending to any one borrower must be within a ceiling of 25 percent of a bank's capital and reserves.

It is thought that the Al-Rajhi Company for Currency Exchange and Commerce may cope with the new measures by obtaining a commercial banking license.

The controls on the moneychangers are a sign of the growing maturity of the banking system, with the formal system now increasingly able to deal with the demands of the kingdom's fast-paced economy.

The Saudi-ization of the banking sector will soon be completed with the creation of the United Saudi Commercial Bank from the three remaining foreign banks in Saudi Arabia, Bank Melli Iran, Banque du Liban et d'Outre Mer and Pakistan's United Bank.

Each of the three foreign banks and the London-based Saudi International Bank (owned 50 percent by the monetary agency) will have 10 percent of the shares with the other 60 percent held by Saudi nationals.

The bank's capital will be 250 million riyals.

The process of Saudi-ization started in 1976 with the creation of Bank al-Jazira, owned 35 percent by the National Bank of Pakistan and 65 percent by Saudi nationals.

The other Saudi-ized banks are owned 60 percent by Saudi nationals and 40 percent by the foreign bank in question. They are. Al-Bank Al-Saudi Al-Fransi (with Banque de l'Indochine et de Suez as the foreign partner), Al-Bank Al Saudi Al-Hollandi (Algemene Bank Nederland), the Saudi British Bank (British Bank of the Middle East), Saudi Cairo Bank (Banque du Caire), Saudi American Bank (Citibank) and Arab National Bank (Arab Bank Limited).

Commercial banking is still dominated by the two 100-percent Saudi-owned institutions, the National Commercial Bank, the giant of the kingdom, and Riyadh Bank. But they are facing increasing competition from the formerly foreign-owned banks, which have been able to increase their capital and set up new branches as a result of Saudi-ization.

The growth and increasing sophistication of Saudi banks has been reflected in a marked increase in their activity on the domestic and international levels this year. According to figures prepared by the Middle East Economic Survey, an authoritative Nicosia-based magazine, Saudi-owned banks lead managed 24.3 percent of Arab syndicated lending on the international market in the first seven months of the year, compared to only 11.9 percent in the same period of 1981.

The National Commercial Bank alone had a 10.2-percent share of the Arab total and was in third place in the list of Arab banks in the international market. Saudi American Bank and Riyadh Bank were newcomers to the market in ninth and 17th places respectively, and the Saudi International Bank was sixth.

Within the kingdom, Saudi banks accounted for 62.4 percent of the total $2.8 billion publicized syndicated loan and guarantee market between January and mid-August, according to the Middle East Economic Survey. The awarding of major contracts has created a great demand for guarantees, including bid, performance and advance payment guarantees, cash flow funding and project finance.

A number of syndications have been made on behalf of local companies, which are increasingly active in construction, industry and services. Turkish and South Korean companies involved in large construction projects have also been prominent in this year's list of borrowers.

Despite recent developments, Saudi banking faces a number of challenges.

A serious problem is the lack of manpower, which is slowing efforts to transfer management to Saudi hands, a process that is essential for a true Saudi-ization of the system.

Although banks have been setting up networks of new branches, there is still a shortage, particularly outside the main centers.

The complexity of the Saudi economy means that banks must constantly refine and add to the repertoire of services they can offer a wide range of clients.

They will also be expected to increase lending to the producing sectors, agriculture and industry.

Bank Ownership in Saudi Arabia

Arab banks/ Arab-Western consortia	Major shareholders	% share
Al-Bank Al-Saudi Al-Fransi	Saudi Nationals	60
	Banque de l'Indochine et de Suez	40
Arab National Bank	Saudi nationals	60
	Arab Bank	40
Bank Al-Jazira	Saudi nationals	65
	National Bank of Pakistan	35
Notional Commercial Bank	Bin Mahfouz family	51.5
	Kaki families	48.5
Riyad Bank	SAMA	38
	Saudi citizens	62
Saudi British	Saudi citizens	60
	British Bank of the Middle East	40
Saudi American Bank	Saudi nationals	60
	Citibank	40
Saudi Cairo	Saudi nationals	60
	Banque du Caire	40

Source: MEED Financial Directory 1982. Shareholdings of less than 10 percent are not listed. This list includes only the larger commercial banks in the Middle East.

Healthy Income Expected for Libya Despite Problems of World Oil Surplus

By Geoffrey Weston

LIKE OTHER OPEC members, Libya is suffering an economic draft as a result of falling oil revenues but not as cold a one as the many critics of Col. Moamer Qadhafi's regime would like to make out.

Income from oil is unlikely to exceed $10 billion this year, compared with $15.7 billion in 1981 and $22.6 billion in 1980 — but still very comfortable for a population of only three million. A freeze has been imposed on new contracts and on non-essential imports, which means that present imports are only one-sixth of their level in 1980. Major casualties have included the $500-million new town at Marsa el-Brega to house 45,000 workers and the plan to convert the town's chemical, petroleum and engineering college for 600 students into a university for 10,000 to 12,000. Both projects are delayed indefinitely.

The Central Bank of Libya has said that the country's foreign debts total $2.3 billion, although they could be much higher. Italy, the most important trading partner, has led a queue of creditors clamoring for payment of Libyan debts, which have been causing anxiety since last October.

Roughly two-thirds of Libya's debts to the West should have been paid by August 1, but instead of imposing a credit squeeze the colonel has given preferential treatment to important purchasers of Libyan oil who did not reduce their orders during the oil glut. Austria, the only Western country to have welcomed the Libyan leader on an official visit in recent years, and West Germany have both been paid promptly.

On a visit to Rome in May, however, Maj. Abdel-Salem Jalloud, the Libyan prime minister, refused to settle his country's debts unless Italy resumed purchases of Libyan oil. The Italians had balked at Libya's insistence on $40 a barrel, but have been increasingly concerned because Libya is their fastest growing market and only 16 percent of their business there is covered by export insurance.

Reluctantly they have agreed to resume liftings of 100,000 barrels a day but at market rates and in return for Libyan promises to pay $50 million immediately and then about $80 million a month for six months toward the debt of $622 million.

Other moves have been made to clear overdue debts to Turkey and Cyprus after discussions over part payment in oil, but Spain angrily suspended payment of $230 million for its Libyan oil imports and the French export credit agency Coface has suspended further guarantees on French sales to Libya because of the long delays in payment.

Tripoli continues to disregard the quota of 750,000 barrels a day agreed to at OPEC's ministerial meeting last March, underlining the organization's failure to agree on new quotas at its emergency meeting in Vienna in July. According to the authoritative Middle East Economic Survey, Libya is planning to produce 1.05 million barrels a day in the second half of this year.

Exxon's decision to pull out of Libya last November and Mobil's more recent attempts to sell its operation there were minor setbacks since many of the smaller oil companies rely on Libyan oil. Neither the two giants nor the U.S. ban on all imports from Libya have dimmed Col. Qadhafi's enthusiasm for his ambitious five-year plan ($62.5 billion by 1985).

His economic policy is set out in "The Green Book," an all-purpose, homespun philosophy, which he regards as "the way of salvation." A bizarre and sometimes dotty approach to socialism, laced with a dash of Islam, it stresses the need to eliminate the exploitation of man ("partners, not wage-workers") and the need for direct participation in running the country through "people's committees," which replace conventional forms of government.

Every adult, in theory, has a right to a say in every decision, from appointing a school caretaker to fixing the national price of oil. People's committees are "advised," however, by revolutionary committees who take their orders from the colonel. The system breeds less corruption than might be expected, but confusion, wastage and inefficiency are rife.

Not everyone enjoys being a guinea pig in a great social laboratory, particularly the dwindling middle class, whose capital has been largely confiscated, and the young men, who are forced into unspecified periods of military service.

The negative aspects of Libyan society, nevertheless, cannot conceal the country's huge economic advance since Col. Qadhafi overturned the monarchy in the revolution of 1969, even though it was the oil price rises of the 1970's rather than political theories that provided the means. The remarkable shrinkage in the gap between rich and poor can be seen by any casual visitor to the country. Most Libyans own their own home, car, television set and refrigerator.

A complete range of social services, free education to university level and care for the aged are some of the most impressive achievements. Fifteen years ago Libya was one of the world's poorest nations, but so much affluence in so short a time has bred insolence among the under-20-year-olds, who form two-thirds of the population, have no memories of the days of poverty and little motivation to work.

Large factories have been turning out goods at uncompetitive prices, but belt-tightening seems to have given the Libyan leader second thoughts about large investment in heavy industry. New emphasis is now given to light industry and agriculture and reducing dependence on foreign workers.

Only the fertile coastal strip is suitable for agriculture, which is intensively farmed, but the drive for self-sufficiency in food has resulted in impressive expanses of cereal crops and sheep pastures deep in the western desert, achieved at grossly uneconomic cost.

Economic realities and the widespread boycott that scuttled the Organization of African Unity summit conference that was to have met in Tripoli last August have underlined Col. Qadhafi's isolation and encouraged him to seek closer ties with his neighbors.

Western investors and businessmen have at the same time been shaken by the persistent political and economic pressures imposed on him by the Reagan administration. They are well aware that unseating the world's most unpredictable head of state could turn Libya into an orthodox Communist state that would fall into Moscow's lap and deprive them of the lucrative markets on which they depend.

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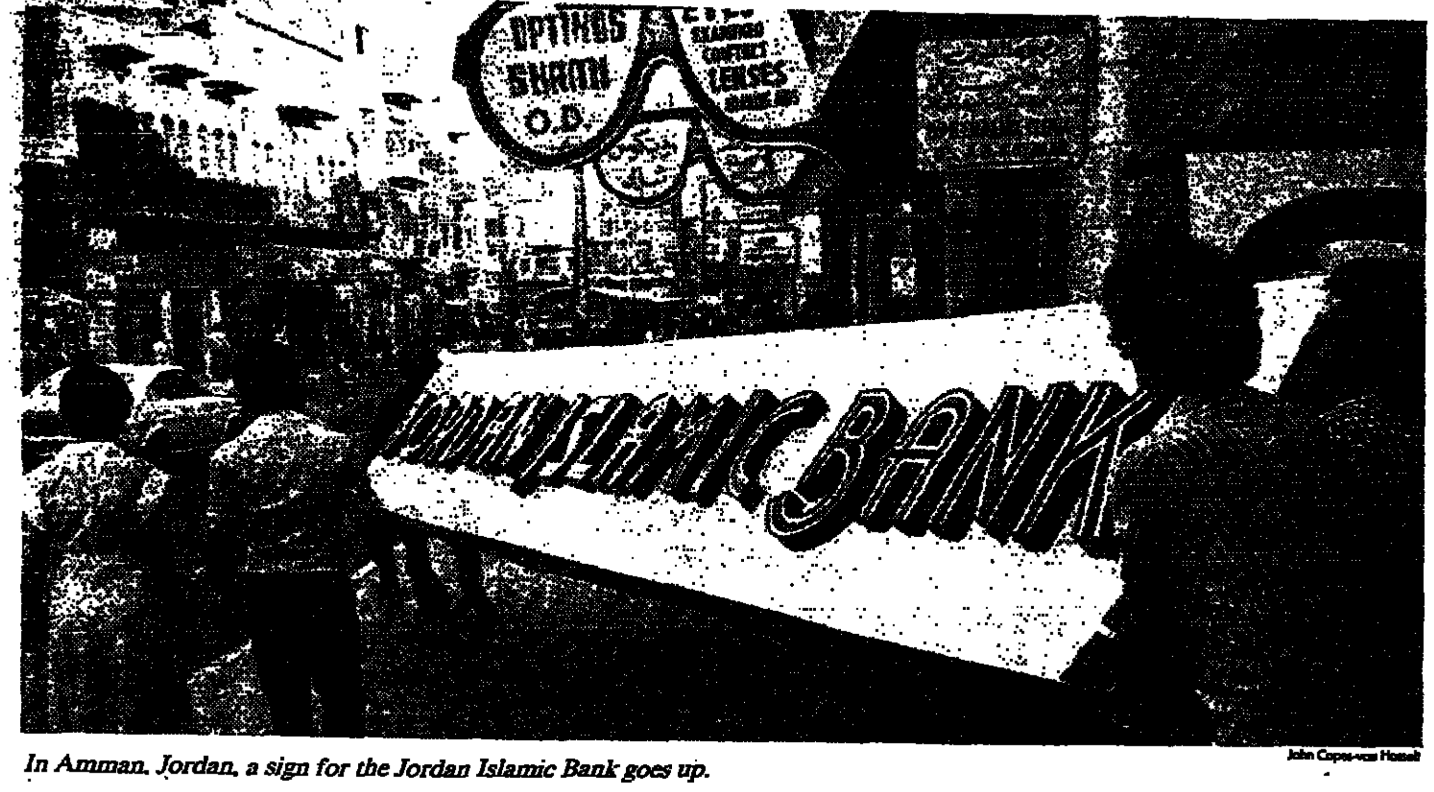
IN THE ARAB WORLD



In Amman, Jordan, a sign for the Jordan Islamic Bank goes up.

Arab Governments Playing Key Roles In Growth of World Banking Networks

THE GROWTH in revenue caused by the rise in oil prices has encouraged the establishment of an Arab banking industry that is in the process of building up a global network.

The fact that oil revenues accrue to governments — and, to some extent, because of the lack of other local resources in many oil-producing countries — has meant that governments have played a particularly important part in stimulating this banking growth.

In most Arab countries the government is an important shareholder in the local banking community. Even in countries where the government is keen to encourage the growth of private sector enterprises the state has invariably played a central role in developing and establishing banks.

In Kuwait, for instance, the government is a major shareholder in the two smaller commercial banks — the Bank of Kuwait and the Middle East and Burgan Bank. A new international bank now being planned in Kuwait, to be named Kuwait International Bank and to have a capital of 300 million Kuwaiti dinars, will have a large government shareholding and is being set up on government initiative. In the United Arab Emirates, the government is the major shareholder in the largest local bank, the National Bank of Abu Dhabi.

Even in Saudi Arabia, where private Saudi investors hold the majority of bank shares, the Saudi Arabian Monetary Agency holds a 38-percent share in Riyad Bank, the nation's second largest commercial bank. In Bahrain, the government is the largest single shareholder in the National Bank. In the Socialist Arab states — Algeria, Libya, Iraq, Syria and South Yemen — the government is, of course, the sole shareholder in all the major commercial banking institutions.

In an area like the Middle East, where the establishment of stock markets and joint stock banks is a relatively recent phenomenon, family ownership has always played a key part in the region's banking institutions. The older commercial banks in the areas that have not fallen prey to nationalizing governments are still often under the aegis of a single family or group of families.

The largest and oldest commercial bank in Saudi Arabia, the Jeddah-based National Commercial Bank, is majority-owned by the Bin Mahfouz family who fill the key management positions. Members of the Sharbatly family are still major shareholders in Riyad Bank. Even in some of the recently Saudiized foreign banks, which had 60 percent of equity sold to Saudi nationals, particular families have important stakes.

The Shoman family, which founded Arab Bank in Jerusalem in 1929, remains the single most important shareholder in Jordan's largest bank.

In most of the newly rich oil countries that allow private ownership the better established trading families have been quick to move into banking as the boom in financial services has gathered pace. The Kanoos in Bahrain, the Kharafis and Marzouqs in Kuwait, the Olayans and Ali Rezas in Saudi Arabia are just some of the more prominent examples.

Foreign banks have also played an important, albeit diminishing, role in bank ownership in the area. Gradually, the governments that still allow a foreign banking presence have sought to ensure that more of the local retail banking business is done by local institutions. In Saudi Arabia, all foreign commercial banks have now been Saudiized. In Kuwait, no foreign commercial banks have been permitted to have branches since the early 1970s. In the UAE, foreign banks with commercial bank branches have until 1983 to cut down their affiliates to eight branches. In Egypt, a question mark seems to hang over the commercial banks with large foreign shareholdings.

However, foreign banks will remain important minority partners in commercial banks for some time to come, as it will be some years before there are enough fully trained local bankers to take over the full running of local banking systems.

In Bahrain, the area's banking capital, foreign banks will most probably always constitute a large part of the offshore banking activity and will also continue to make up a bigger section of the commercial banking market than elsewhere in the Arab world. Out of a retail banking community of 19, there are only three local banks.

The Arab banks themselves also hold numerous shares in banks outside the area. There are several well-established Arab-Western consortiums in London, Paris, Frankfurt, New York and other important Western financial centers. The Union de Banques Arabes et Françaises (UBAF), Saudi International Bank, Banque Arabe et International d'Investissement (BAII), Allied Arab Bank, European Arab Bank and Arab Latin American Bank (Arlabank) are some of the better known consortiums.

There have also been one or two purchases of Western banks by Arab groups, such as the Arab Banking Corporation's purchase of a majority stake in the Frankfurt-based Richard Daus & Co. earlier this year.

As Arab banks become more international so the web of ownership becomes more complex. There is little doubt that there will soon be larger Arab shares in banks in areas more remote from the Middle East in the coming years, and investment in the Far East, Latin America and even Australasia does not seem that far off.

—P.T.

Caution Marks Expansion In World Financial Markets

(Continued from Page 9S)

handled out of bank head offices in the area, but international syndications are a different matter. While Bahrain has built up quite a reputation for regional syndications. Most of the truly internationally active Arab banks have a London office for international syndications.

It is interesting to note, however, that ABC and Gulf International Bank, the two big Arab Euromarket banks, keep their top syndication men in Bahrain. Both are owned by Arab governments, which are no doubt keen to build up Bahrain's reputation as an international center for loans syndications. An increasing number of syndications and signings for loans to companies not connected with the area do now take place in Bahrain. Recent loans for the Japanese consumer finance companies Promise and Takefuji are cases in point.

Far fewer Arab international banks are active in the bond markets. Nonetheless, the larger Arab banks have begun to carve out niches for themselves in this field. Both National Bank of Abu Dhabi and ABC have wisely set about making a name for themselves in the floating rate note market. FRNs have proved increasingly popular as interest rates have become more volatile.

The Kuwaiti investment banks — the three "Ks" — are some of the oldest banks in the area in the international bond market. The Kuwait Investment Co., the Kuwait Foreign Trading, Contracting & Investment Co. and the Kuwait International Investment Co. have considerable placing power and often appear as the only Arab managers of an international issue. The trio has also pioneered the only local currency bond market of any size in the Middle East, the Kuwaiti dinar bond market.

Kuwait International Investment Co. and its affiliate, the Arab Company for Trading Securities, have pressed on trying to develop the market despite adverse circumstances.

The Kuwait dinar bond market has suffered from local political pressures. The market was closed at the outset of the Gulf war. It has also had low coupons — never as high as 13 percent — despite high international interest rates available to investors, and a dinar that is closely tied to the dollar. This means punters prefer to arbitrage their KDs for dollar investments rather than by KD bonds. The main players in the market are, therefore, the three "Ks" themselves and the insurance companies and public institutions that have some access to cheap KDs.

The market remains very popular with borrowers as the KD issues have offered effective access to cheap dollars. The Oesterreichische Kontrollbank is just the most recent in a string of blueschip borrowers in the KD bond market. The market does represent a substantial opportunity cost for the Kuwaiti government, and it will be interesting to see how much longer it is prepared to go on providing market participants with cheap KDs to keep the market going.

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JOHNNY RIZQ, whose article on Beirut appeared in part I of this special supplement, is a member of the economics department of Lloyds Bank Group in London. He was incorrectly identified as a member of the staff of the Middle East Economic Digest.

BANKING AND FINANCE IN THE ARAB WORLD

Agriculture, Financial Services Get Priority in Syria's 5-Year Plan

By Michael Frenchman

SYRIA'S LATEST five-year plan, which was implemented this year after several delays, is more realistic in its approach than those of most centrally planned economies.

Grandiose plans have, in the main, been set aside or else efforts are concentrated on completing projects scheduled in the previous plan. Total planned investment by 1985 is put at 101 billion Syrian pounds, with the largest shares going to agricultural development and financial services, followed by manufacturing industries, communications and power generation.

Syria is one of the non-oil rich countries but it is virtually self-sufficient and on the verge of becoming a net exporter although the total output of crude has fallen from 10 million tons in 1976 to a little more than 8.6 million tons last year. However, the latest finds by Marathon Petroleum in its concessionary area near Homs may in time give a slight boost to the oil position.

The economy is suffering from the strains of a substantial defense expenditure, which has mounted with the Lebanese-Israeli conflict. Inflation has been rising sharply since 1980 and, according to some forecasts, will almost certainly top last year's 20 percent.

Kamal Sharaf, minister of state for planning, is clear about his aims and policies and is determined not to fall in the same traps that beset many planners. "We know from examples in the developing world that the obstacles and difficulties facing planners tend to cloud the real issues and become more important than some of the industrial developments themselves, the minister noted in a recent interview. He wants to try to remove the stop-go cycle of investment and growth and to create a little more order and discipline, which might allow for the vagaries of the weather and possible ill-effects on harvests.

Mr. Sharaf is one of the younger breed of academic technocrats who are becoming more common in the Middle East. He sees the latest plan as only part of an economic strategy that will take the country's development forward until the end of the century. He is also a firm believer in the continuing advance of Socialism through economic principles.

Most of the investment under the new plan, about 80 million pounds, is destined for the public sector, particularly roads and other communications. Mr. Sharaf feels that the private sector needs "shock" treatment to increase productivity.

Investment for the private sector amounts to 20 million pounds. Foreign aid and financing is still a vital element and to some extent a useful cushion. In practice it will be a good deal more than the planned figure indicates as operational costs are not taken into account. Much investment for agricultural projects is coming from international agencies like the World Bank and various United Nations development funds. The World Food Program has committed about $106 million to six major agricultural and irrigation projects.

Following the Baghdad Arab summit meeting in 1978, Arab aid to Syria has risen sharply and now totals more than $1.5 billion annually. There is also about $2 billion of U.S. aid still in the pipeline. Other funds are coming from a number of East European countries.

The 1982 budget, which calls for an expenditure totaling 33.3 billion pounds, has an investment allocation of 16.5 billion pounds, about 2.5 billion pounds more than the previous year. But more than 50 percent of the budget, one of the highest allocations in the world, accounts for defense and security.

The country's overall balance of payments position has varied considerably since 1975 owing to the effects of Arab aid. Generally speaking, imports have been running at roughly twice the level of imports. The latest accurate full-year figures show a trade gap of $2.3 billion in 1980, and provisional estimates for 1981 suggest a further increase in the trading deficit.

Remittances from the estimated 400,000 Syrians working abroad are an important element in the external financial position. One of the innovations introduced last year by the central bank was a two-tier exchange system of the Syrian pound against the dollar. The object has been to try to eliminate the flourishing black market in foreign exchange.

Following the new measures, which came into force in April last year, there is now an "official rate" of exchange set by the central bank and a "tourist rate." This meant an immediate increase in the amount of remittances received from the overseas workers.

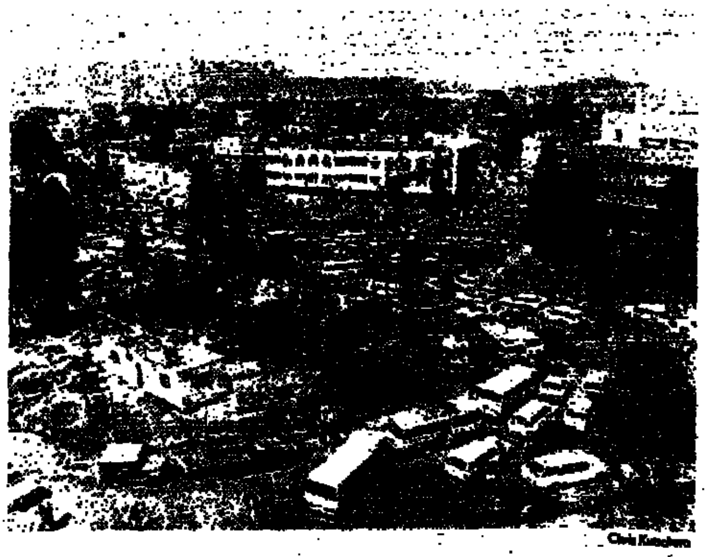
The banking system in Syria is tightly controlled by the central bank since nationalization more than 20 years ago. Today, there are five specialized banks whose basic function is development finance across a wide spectrum from agriculture to housing.

A radical development expected to take place this year was the formation of a joint Syrian-Jordanian Bank in Damascus. The plan, which has met with some opposition from Syrian bankers, is now reported to have been put in abeyance due to further last-minute problems.

The Agricultural Cooperative Bank, founded during the days of the Ottoman Empire, is the major source of rural credit and operates the widest network of banking services. Interest rates for loans have been generally running at about 6 percent for cooperatives and 7.5 percent for individuals.

The Real Estate Bank, which was formed in 1966, finances housing and tourism projects, as well as schools and hospitals. Both loans and deposits have been increasing rapidly over the last two years. The current plan calls for the construction of more than 300,000 homes and 30,000 school classrooms. Investment in the construction industry is forecast to rise at an annual rate of 7.9 percent until 1985.

Formed in 1973, the new industrial bank will be playing an increasingly important role in helping to finance and develop new industrial and manufacturing capacity in both the private and public sectors. The Popular Credit Bank, which has a capital of about 3 million pounds, provides loans for smaller cooperatives and individual entrepreneurs.

Chris Kutschera

VIEWS OF YEMEN: Left, a moneychanger near Saada; right, Tahrir Square in Sana'a.

Both Yemens Would Benefit From Gulf Stability

THE JOINT initiative launched in August by the presidents of North Yemen and South Yemen to try to resolve the Lebanese crisis, during which they flew together to a number of Arab states, reflects the extent to which relations between the two states have improved.

South Yemen has also been mending its fences with the monarchies in the area, notably Saudi Arabia and Oman. If the good will remains and stability increases in the area, there will be considerable benefits to the economies of the Yemens, which are among the poorest countries in the Arab world. The gross national product per capita of both countries in 1980 was around $425.

The two countries have followed very different economic paths but both are modifying their policies. In North Yemen, where the government has been traditionally weak, efforts are being made to improve central planning. In South Yemen, on the other hand, there has been a partial loosening of the grip of the government on the economy and a liberalization is moving in.

Both countries are heavily dependent on foreign aid, whether in the form of bilateral assistance or from bodies such as the Arab Development Fund and the International Development Association.

Partly because of its strategic position, North Yemen has succeeded in attracting aid from a wide variety of sources. At the jamboree held in Sana'a in April, potential donors were invited to cast a critical eye over the draft 1982-1986 second development plan. Not only were the Saudis, Iraqis and other Gulf Arabs there in strength but representatives of the Soviet Union, United States Agency for International Development, the Saudi Arabia Industrial Development Fund, the European Community and the World Bank also pledged aid.

There is considerable skepticism over whether the plan can meet its targets. Investment is to total 29.3 billion riyals, of which 52.9 percent is expected to come from foreign sources. The target annual growth rates are 7 percent for GDP, 4.8 percent for agriculture, 14.5 percent for manufacturing, 25 percent for electricity and water, 6 percent for wholesale and retail trade and 8.1 percent in financial institutions.

Agricultural performance is crucial, with agriculture accounting for 37 percent of GDP in 1980-1981 and employing nearly 70 percent of the work force. In the first plan (1977-1981), its annual growth was a discouraging 1 percent, against a target of 5.5 percent.

It is hoped that the Agricultural Credit Bank, a recently created cooperative, will play a significant role in stimulating the agricultural sector. The bank was formed by the merger of the Agricultural Credit Bank, whose capital was increased from 100 million to 200 million riyals, and the Cooperative Bank, with a capital of 100 million riyals.

Much is also expected of the Industrial Bank of Yemen, which, between July 1980 and the end of 1981, lent 30.5 million riyals to 22 industrial and handicraft projects with a total investment of 162 million riyals. The bank received a loan this year of 4 million Kuwaiti dinars from the Kuwait Fund for Arab Economic Development, and in 1981 was loaned $12 million by the World Bank.

Remittances from workers in Saudi Arabia and other oil states have played a major role in the economy since the mid-1970s, when they totaled around $1.4 billion a year. They helped fuel a massive increase in imports of consumer goods, however, which represented 61 percent of all imports by the end of the first plan.

Remittances have dropped in recent years and are thought to be running at about $1 billion or less annually. The plan aims to keep the rise in imports to only 1 percent a year and calculates that the total accumulated deficit on the balance of payments for the second plan period is expected to reach 15.5 billion riyals in the plan period.

South Yemen's economy was dealt a savage blow by floods in late March. The floods killed 500 people and left 10,000 families homeless. The agricultural areas to the north and east of Aden were devastated, as dams and fields were destroyed. Damage was estimated at $1 billion. The IMF has lent around $17.5 million to help with balance of payments difficulties caused by the floods, and emergency and reconstruction aid has been received from a number of sources.

But there are hopeful signs this year — the discovery of "important shows" of high-quality light oil in the offshore concession of AGIP, the subsidiary of ENI, Italy's state hydrocarbons concern. Moreover, BRASPETRO, a subsidiary of Brazil's PETROBRAS, was granted a 42,000-square-kilometer concession this year. It is still possible that oil may transform the economic prospects of the Yemens.

There have been reports that South Yemen and Moscow are going through a period of mutual disenchantment. Meanwhile, the past two years have seen a attempts at liberalizing the economy in order to increase production. Two public companies previously had the monopoly for distribution of vegetables, fruit and grain, but a law was passed permitting peasants to sell up to 40 percent of their production on the free market.

In another move, the People's Supreme Council ratified a law last February to encourage investment by overseas South Yemenis, other Arabs and foreigners. The law allows for tax holidays of up to five years, guarantees against nationalization and the right to export profits. Priority is being given to joint ventures with the state.

—S.T.

Profile of a Palestinian: Success in European Investment

By Pamela Ann Smith

LIKE MANY of his kinsmen, Palestinian-born Hikmat Nashashibi has had to make a new life. But unlike many others he has managed to build an impressive new life and identity for himself in London where he now heads one of the most innovative investment companies in Europe.

Born in Jerusalem in 1943, he settled in Lebanon with his family in the late 1940s. There, with the help of relatives, he managed to complete a degree in business administration at the American University of Beirut and to find work as an assistant to the chairman of the Lebanese Stock Brokers Association.

In 1966, he joined the Kuwait Chamber of Commerce and Industry where he headed the emerging foreign trade department.

The experience gave him a lasting respect for private enterprise and an unshakable faith in the free market system. Even now, when gloom and doom reign supreme in world financial circles, Mr. Nashashibi is confident that the "invisible hand" will set all right.

He said, "Arab surpluses may be declining. But people forget about the other side of the equation.

"Demand, I think, will decline too. Countries are borrowing for balance sheet restructuring. They can't go on with this forever.

"In the corporate sector, in the U.S. and U.K., lending will drop. What you are really talking about is a contraction on both sides."

Mr. Nashashibi feels that banks and investment companies like his own Al-Mal Group, rather than looking to governments for assistance, would do better to respond to the new market conditions by going back to the traditional sources of funds — customers.

Those in the West should realize that they have been "over-geared" since the huge oil price rises of 1973, he said.

However, he said, some of the huge new Arab investment houses will disappear.

"Some will realize that it is better to put your money in the bank, on deposit.

"You can't be a successful financial intermediary and an investment banker who matches long-term funds with the sources of debt or equity financing and do deals that bring them to the market place except when you have a track record of success and a very advanced degree of know-how."

Mr. Nashashibi's own record of success has enabled Al-Mal to lead-manage four Eurobond issues since the company was established in June 1981.

These include a floating rate note at 16¾ percent for the Luxembourg steel company, Arbed, and a $40-million loan at 14½ percent for Euratom, the atomic energy agency. Both were completed by the end of December 1981, five months after Al-Mal opened its doors in London.

Mr. Nashashibi prides himself on this achievement and on the fact that the firm was ranked number 51 in a list of world investment banks compiled in March by the influential London monthly, Institutional Investor. He is also pleased that his group has managed to make a dent in the Eurobond market and to obtain Triple A issues at a time when most other Arab institutions are concentrating on the Kuwait dinar market or on loans rather than bonds.

The group has also scored another first more recently with a Euro-issue denominated in Norwegian krone for Gaz de France. The issue, which was due to be signed in September, marks the first time that a non-Norwegian sovereign borrower has been permitted to tap this sector of the market.

Insurance Industry

(Continued from Page 9S)

defects developing in the first 10 years of a building's life. Egypt has always had it, UAE legislation on it is pending and it has become part of the insurance of certain government contracts in Saudi Arabia. In July 1980, the Middle East Decennial Insurance Pool, known as Medip, was formed to provide technical guarantee insurance of up to $60 million on any one building or plant.

The problem of fraud, rampant in the seventies, has diminished with the better regulation of ports in the Middle East, where in the past ships could be kept waiting to offload for months. Rocketing oil prices led to a huge influx of imports, which ports were not equipped to handle. The resulting fraud usually involved owners of single ships (often old, aptly named "rust buckets" or "tin pots" by the insurance trade.).

Owners would take on high-value cargos, set sail for a given destination but sell the cargo short, offloading it elsewhere and pulling out the plug when the empty vessel had sailed out to sea. Claims were then made on the cargo and on the vessel. Underwriters have now learnt to spot likely vessels by the claim record of the owners. Saudi Arabia has legislated against them by refusing to accept imports from any vessel over 15 years old.

Cases now are rarely on as large a scale as that of the Shell tanker Salem, which was scuttled off the Senegal coast in January 1980 after offloading its cargo of crude oil in South Africa. But smaller instances come to light regularly. There's a Greek vessel, the Patmos, now en route for the Gulf, which for three months this summer "went into limbo" on the high seas (the Mediterranean) because its charterers disappeared. And goods belonging to Dubai merchants are being auctioned off in Famagusta after being dumped on the quay by a Singapore-owned vessel.

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International Herald Tribune

BUSINESS / FINANCE

TUESDAY, OCTOBER 19, 1982

BUSINESS BRIEFS

Financing Set for Diamond Merger

NEW YORK — Diamond International Corp. said Monday that Diamond Acquisition, a company affiliated with Sir James Goldsmith, had reached agreement with a consortium of banks to borrow the $455 million needed to finance its previously announced merger with Diamond International.

The merger will result in Diamond International going private, following approval in December at a shareholders meeting. Diamond International shareholders will receive $44.50 cash per common share.

Diamond, which trades in diamonds, packaging, timber and building materials, said it expects to sign a merger agreement and mail proxy material to stockholders Oct. 31. Sir James and companies affiliated with him through his Paris-based Générale Occidentale group already own 40 percent of Diamond International common.

Alfa-Nissan April Startup Reported

DETROIT — Nissan Motor and Alfa Romeo will begin joint production of the Nissan Pulsar in Italy in April, an auto industry journal reported Monday.

Under a 1980 agreement, Alfa Romeo's Pratola Sera plant at Avelino, near Naples, will produce 60,000 of the front-wheel-drive sports cars annually, Ward's Automotive Reports said. Nissan will supply the body panels and suspension and Alfa Romeo will supply the engines and transmissions.

The companies expect to sell half the cars in Italy and half in other European countries, Ward's said, with about 9,000 bearing Alfa nameplates and the rest sold as Nissans.

N.Y. Alters Subway Financing Plans

NEW YORK — The Metropolitan Transportation Authority here has canceled plans to borrow $126 million from Japan to help finance its purchase of 325 subway cars from Kawasaki Heavy Industries. The MTA said Sunday that it will finance the purchase instead through the sale of bonds.

The authority's new bonds, the first backed by its revenue, sold last Tuesday at an average interest rate of 9.7 percent. Under its contract with Kawasaki, reached last March, the authority could have borrowed from Japan at an effective interest rate of 12.25 percent.

The authority, which sold $250 million worth of its bonds last week, has been authorized by the state to sell up to $1.6 billion by 1987.

Whitbread Buys Wile Common Stock

LONDON — Whitbread, the London-based brewer and distiller, has purchased the common share capital of Julius Wile Sons from Nabisco Brands for $96.3 million in cash, it announced Monday. The purchase includes a 49-percent interest in All Brand Importers, a beer importer, of which Nabisco retains 51 percent, it added.

Nabisco retains all of Julius Wile's $15.5 million of redeemable preferred stock. Julius Wile, which includes Fleischmann Distilling, produces and imports wines and liquor in the United States.

Whitbread said pre-tax profit from the interests being acquired totaled $17.1 million last year; net assets as of Sept. 30 were about $84.5 million. The purchase and some subsequent trading were funded by an $80-million consortium bank loan arranged by Barclays Bank International, and a $23.7-million loan from Nabisco.

Britain Sees Little Hope for DeLorean

LONDON — The British government has grave reservations about the prospects of saving DeLorean Motors, which went into voluntary receivership in February, according to James Prior, Britain's Northern Ireland secretary.

Deadlines set by the joint receivers for a restructuring of the Belfast-based manufacturing company have passed without necessary finance being found, Mr. Prior said Monday.

Compiled by Our Staff From Dispatches

Pessimism Deepens at Caterpillar

By Winston Williams
New York Times Service

PEORIA, Illinois — Caterpillar Tractor, known for good management and efficient plants, had been one of the success stories among U.S. heavy manufacturers.

But the company's good fortune, which was barely disturbed by the 1974-75 recession, has ended. As a result of the current recession, Caterpillar has been forced to lay off 17,400 workers.

And on Oct. 1, when a three-year contract expired, United Automobile Workers struck the company, idling another 22,600 workers across the United States.

The New York Times

Last week, Caterpillar cut the quarterly common stock dividend for the first time since 1953, dropping it to 37.5 cents a share from 67.5 cents a share.

[On Monday Caterpillar said that it lost $28.1 million on sales of $1.7 billion in the third quarter after earning $174.3 million on sales of $2.46 billion a year earlier, Reuters reported. It was the first such deficit in more than four decades. For nine months for company earned $24.1 million on $5.51 billion in sales, sharply off a profit of $475.6 million on a $6.88-billion turnover a year earlier.]

Caterpillar is preparing to add $300 million in debt on top of the $1.2 billion it borrowed in the last year. Its total debt now stands at $2.4 billion.

"There's no question that the company is hurting right now," said Alex Blanton, a capital equipment analyst for Merrill Lynch, Pierce, Fenner & Smith. "All of their markets are down at the same time. We don't see any sizable recovery until 1984."

Caterpillar executives declined to be interviewed about the company's condition. Recent statements by the company are quite pessimistic, however, and Caterpillar anticipiates another large loss in the fourth quarter and for the full year.

A current prospectus reads, "further substantial reductions in interest rates and a general improvement in business conditions are necessary for meaningful improvement in the company's business. At this time, the company does not believe such encouraging signs are evident."

Like other vehicle and heavy equipment manufacturers, Caterpillar can attribute part of its suffering to the poor economy, analysts say.

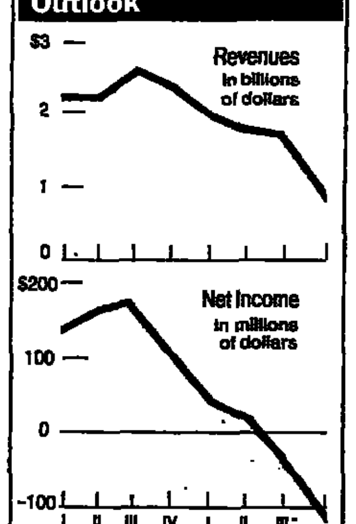
Foreign competition is another problem. Burdened by a strong dollar and intense competition from Japan's Komatsu and West Germany's IBH Holding Co., Caterpillar's foreign sales dropped 19 percent in the first half of the year, to about $2 billion, according to Merrill Lynch. Caterpillar's foreign sales, much of which are in developing countries, accounted for 57 percent of the company's $9.2 billion in 1981 sales.

But several analysts contend that some of Caterpillar's problems are of its own making.

Jim O'Connor, president of the big United Auto Workers Local 974,

(Continued on Page 17, Col. 1)

Caterpillar's Troubled Outlook



Note: In the third quarter, estimated pretax loss is $120-$140 million. In the fourth quarter, estimated pretax loss is $250 million.

Source: Merrill Lynch

26-Point Rally Sends Dow Over 1,000 Mark

Compiled by Our Staff From Dispatches

NEW YORK — Prices on the New York Stock Exchange rallied sharply Monday, pushing the Dow Jones industrial average past 1,000 mark to an 18-month high, as Wall Street became increasingly convinced that interest rates will extend their decline through the rest of the year. Trading was moderately active.

The Dow index, which lost 3.77 points Friday, rose steadily throughout Monday and finished with a gain of 26.12 points at 1019.22 — the highest level since it finished at 1,024.05 on April 27, 1981.

The Dow average of 30 blue-chip stocks had been in a mild retreat since hitting a 17½-month high of 1,015.08 on Wednesday after breaking the 1,000 barrier last Monday for the first time in 15 months.

Advances led declines, 3-1, as the NYSE turnover widened to 84 million shares from 80.29 million traded Friday.

Analysts said the profit-taking that brought the market below the 1000 mark Thursday and Friday has abated for the near term and enthusiasm over interest rate trends should continue to support stock prices.

But Michael Metz of Oppenheimer and Co. warned that the low volume made the rally suspicious because it indicated that many investors are holding back while the market is in an uptrend.

"I think the sellers are waiting to see if the market reaches new highs before offering their stock — right now the available supply is very thin," Mr. Metz said.

Analysts said the market's support came from an increasing awareness in the investment community that the Federal Reserve does not plan to tighten credit restraints, even with the M-1 measure of the basic U.S. money supply running well above its target growth range of 2½ to 5½ percent.

The Fed previously emphasized money supply growth in formulating policy, but 10 days ago Fed Chairman Paul Volcker said the central bank will pay less attention to money supply due to factors which will distort the figures in coming months.

Several economists consequently forecast further cuts in the discount rate to as low as eight percent, among them Albert Wojnilower, the influential First Boston Corp. economist. The Fed's discount rate, charged on loans to member banks, is currently at 9½ percent.

Analysts said investors also expect further cuts in the prime lending rate, possibly to as low as 10 percent by the end of the year from the current 12 percent charged by most major banks.

On the exchange floor, the best performers were those issues that were the primary targets of profit taking late last week — particularly the blue chip and heavily capitalized stocks.

Gainers among those issues included active IBM up 3⅜ to 83, ATT 1⅛ to 60⅝, Eastman Kodak 5⅜ to 95¼, Sears 1⅜ to 27, General Motors 2¼ to 52¾, General Electric 5¼ to 84⅞ and Minnesota Mining 2¼ to 76.

■ **London Index at Record High**

The Financial Times index of 30 leading shares on the London Stock Exchange gained 16.5 points to close at a record 620.4 Monday, Reuters reported. The previous record of 606.1 was set Oct. 11.

Fresh enthusiasm was seen among investors at the start of a new trading account, dealers noted.

Chrysler, Union Break Off Talks

Compiled by Our Staff From Dispatches

HIGHLAND PARK, Michigan — Chrysler and the United Auto Workers union broke off contract negotiations Monday after the company refused to give autoworkers the immediate wage increase.

Acknowledging that the automaker now faces the possibility of a strike, Thomas Miner, Chrysler vice president for labor relations, said the company would not offer an immediate wage increase because "there simply is no more money available at this time and under these economic conditions."

He warned the union that "a strike of any duration at all would severely cripple us, could ruin us in a number of weeks."

UAW President Douglas Fraser said contract bargaining has temporarily ended and a meeting Thursday among the UAW leadership and Chrysler Council will decide if a strike would be called.

He said Chrysler's decision not to grant immediate wage increases greatly enhances the possibility of a strike. He said a redesign of the rejected contract with an immediate wage increase "is the only realistic alternative" to a strike.

The autoworkers rejected an earlier tentative accord, which was reached Sept. 16 and would have replaced the accord that expired Sept. 14., by a 7-3 margin because it did not contain a wage increase up front.

The UAW represents 52,100 hourly and salaried workers at Chrysler.

The proposed contract would have reinstated cost-of-living adjustments and linked wage increases to profits, both starting in December. Chrysler said the package would be worth 75 cents an hour to UAW workers.

Chyrsler workers three years ago made historic wage concessions that helped save the third largest U.S. automaker from bankruptcy. The tentative contract did not contain concessions.

The average Chrysler hourly worker earns $9.07 an hour, not including benefits — about $2.60 an hour less than workers at General Motors and Ford. Mr. Fraser said the accord would have left Chrysler workers about $2 an hour behind GM and Ford workers.

Mr. Miner told a news conference after the two sides met briefly that Chrysler had offered to rearrange the rejected package to accommodate an immediate wage increase if the union agreed to concessions on other contract terms.

But the UAW had rejected the proposal, which Mr. Fraser said included a reduction in benefits in health care and pension programs. "They wanted to rearrange their total labor costs," he said. "We are not willing to do this."

"We agreed there is no point in further negotiations [unless Chrysler or the UAW] has a change of mind," Mr. Fraser said.

Mr. Miner said, "We are agreeable to do anything except raise our overall labor costs above 75 cents an hour." He said Chrysler's total hourly labor costs are $20.40 per employee.

The UAW has not said how large a wage increase it is seeking, but Mr. Fraser has told reporters that more than $1 an hour "has a nice ring to it."

PSA to Assume Some Routes In a Braniff Joint Venture

The Associated Press

GRAPEVINE, Texas — A joint venture agreement between Braniff International and Pacific Southwest Airlines was announced Monday in simultaneous news conferences here and at PSA headquarters in San Diego.

Under terms of the agreement, PSA will assume some of Braniff's routes, airport gates and landing slots, said Phillip Guthrie, a Braniff financial officer. He said all operations would be under the PSA name and that as many as 1,500 Braniff workers now on layoff could be called back.

Further details of the agreement were not available.

Debt-ridden Braniff suspended its international and domestic operations May 12 and the next day filed for protection from its creditors.

Pacific Southwest Airlines is the 14th largest U.S. airline and is California's biggest, with a fleet of 32 aircraft — 21 DC-9 Super 80s and 11 Boeing 727s. It serves 16 cities in California, Arizona, Nevada and Washington.

In fiscal 1981, PSA Inc., the airline's parent company, reported net earnings of $28.5 million on operating revenues of $438.6 million. At mid-year 1982, PSA Inc. had net earnings of $25 million.

But the airline itself last year posted operating losses of $17 million, which airline officials blamed on the recessionary economy and the after-effects of the 1981 air traffic controllers strike.

Braniff is required under Chapter XI bankruptcy law to submit a reorganization plan to a bankruptcy judge in Fort Worth, Texas. The judge, John Flowers, will have to approve the PSA-Braniff agreement.

Last week Judge Flowers granted Braniff a 30-day extension to complete its reorganization plan and begin paying off its $1-billion debt. Braniff officials had asked the judge for 90 days, saying talks with other carriers were "extraordinarily active."

The airline had won two previous extensions from Judge Flowers.

Braniff officials have said that the company will never again fly airplanes under its own name. But several carriers, the officials said last week, were interested in a deal with Braniff to expand or obtain an opening to the lucrative Dallas-Fort Worth air travel hub.

Braniff lost $160.1 million last year and $41.4 million in the first three months of this year. Over the last three years Braniff has lost $336.4 million.

The grounded airline said in court papers that it owes almost $1 billion to its creditors, including 26 banks, 11 insurance companies and two aircraft suppliers.

Braniff financial officers said liquidation might bring creditors only 10 cents on each dollar because of the current worldwide glut of Boeing 727s — Braniff's principal asset.

One of Braniff's three subsidiaries, Braniff Realty, already has reorganized.

Platinum Is Regaining Some of Its Lost Shine

By Elizabeth M. Fowler
New York Times Service

NEW YORK — Platinum is a Cinderella metal that has lacked glamour in recent years, compared with gold. But the situation is changing.

In futures trading, the allure of precious metals often is measured by the spread in price between them. For example, gold for February delivery closed Monday on the New York Commodity Exchange at $442 an ounce, while platinum for April delivery sold at $365 on the New York Mercantile Exchange — a spread of $77.

Some months ago the spread was as wide as $130 or so. Traditionally, however, platinum has sold at much higher prices than gold — a fact that intrigues sophisticated speculators. Paul Sarnoff, vice president and director of Paine Webber's metals unit, said recently, "We have a bizarre situation where for months gold has been selling at a premium price above platinum."

He recalled that in 1980 gold reached a high of about $850 an ounce, and a few months later platinum was selling at more than $1,050 an ounce in terms of futures contracts.

Lately speculators have been quietly buying platinum futures and selling gold futures — one reason that the spread has narrowed.

Encouraged by recent declines in interest rates, the speculators believe that an economic recovery might be under way. Because platinum is more of an industrial metal, they reason, its price would tend to rise with a business revival and at the same time typical gold hoarders might lose interest and sell.

Being pragmatic, the spreaders do not care whether platinum rises in price or gold falls. As long as the spread continues to narrow, they have a chance of making money.

Bette Raptopoulos, senior metals analyst at Bache, Halsey, Stuart Shields, observed, "The spread remained over the $100 level for quite awhile and did not narrow until the present perception of declining interest rates."

She interprets the recent narrowing of the spread, along with rising platinum prices, as a hint of industrial recovery. "We go along with this optimistic thinking," she said. She warned that the spread involves "a volatile relationship" and that this trading technique should be used only by sophisticated investors.

The analysts also note some buying of platinum by users stockpiling the metal, now that interest rates (and hence carrying costs) are declining.

For centuries gold has been regarded as a metal to be hoarded in times of trouble and inflation. It is also used for coinage and is valued in the form of jewelry.

Platinum, also used in jewelry, goes mainly to the automobile industry, where it serves as a catalyst in anti-pollution devices, and to the petroleum industry, where it helps in the catalytic cracking process for refining gasoline.

Platinum seldom has been coined, although the Soviet Union once minted a small quantity of platinum coins to honor the Olympics. The Russians are one of the world's major producers of platinum, selling an estimated 750,000 ounces a year.

Soviet sales, though, are much smaller than those of South African producers — mainly Rustenburg Platinum Holdings and Impala Platinum Holdings, which account for 2.2 million ounces a year.

While the Russians tend to sell platinum only when its price is high, the South Africans sell it regularly because they have long-term contracts with major car manufacturers. General Motors has contracted to pay $475 an ounce for platinum, well above the current price, but some analysts suggest that the South African producers have been giving discounts.

Danish Krone Gains Strength

Compiled by Our Staff From Dispatches

COPENHAGEN — The Danish krone rallied Monday against all currencies following the passage Saturday of the government's economic austerity package.

The National Bank's fixing put the krone at 352.00 for 100 Deutsche marks, compared with 355.96 Friday, the day before the package was narrowly adopted in parliament.

The U.S. dollar weakened slightly on European markets, closing at 2.513 DM in Frankfurt, compared with 2.522 DM Friday.

France Moves to Stimulate Exports

By Paul Lewis
New York Times Service

PARIS — Following another record trade deficit in September and amid growing fears for the franc, France's Socialist government announced new tax breaks Monday to encourage French companies to boost exports and become more inventive.

Budget Minister Laurent Fabius said the new 30-percent tax that the Socialists slapped on company entertainment costs this year will be reduced on a pro-rata basis related to a company's success in increasing exports. No details were announced, but the idea is that the more a French company exports the greater the proportion of entertainment costs it will be allowed to set against tax.

In addition, the Socialists are seeking to encourage French firms to invest more in research and new product development by allowing them to set 25 percent of the cost of any increase in their research and development budget against their corporate tax liability. Both measures take effect in January, the Budget Ministry said.

The new tax incentives for exports and research are the latest indication of official alarm at the rapid deterioration in France's foreign trade performance since the Socialists came to power.

In September, the deficit soared to 12.2 billion francs ($1.71 billion), the second worst figure for a single month since June's record deficit of 13.3 billion francs. While imports rose 6 percent to 64.9 billion francs, exports stagnated at 52 billion francs.

France's trade deficit for the first nine months of this year has already jumped to 73 billion francs, about 70 percent higher than last year's 59 billion francs, and the Budget Ministry now says it will reach 100 billion francs.

Last June's forced devaluation of the franc, after the French central bank almost ran out of foreign currency reserves, has boosted the cost of French imports at a time when stagnant world trade makes it hard to secure an offsetting rise in exports. The continued strength of the dollar has also increased France's bill for imported oil despite the glutted market.

CURRENCY RATES

Interbank exchange rates for Oct. 18, excluding bank service charges.

	$	£	D.M.	F.F.	H.L.	Gldr.	B.F.	S.F.	D.K.
Amsterdam	2.7385	4.677	109.855 *	38.55 *	0.1913	—	5.625 *	127.58 *	30.975 *
Brussels (a)	48.78	83.21	19.398	6.8533	3.401 *	17.7838	—	22.484	5.52
Frankfurt	2.513	4.292	—	35.37 *	1.75 x	91.64 *	5.153 *	116.94 *	28.50 *
London (b)	1.7076	—	4.2925	12.1316	2,452.96	4.6839	83.25	3.6696	15.0974
Milan	1,432.05	2,449.40	570.51	201.71	—	523.22	29.42	667.73	162.40
New York	—	1.7068	0.3974	0.1407	0.07 *	0.3645	0.0205	0.4641	0.1132
Paris	7.103	12.147	282.94 *	—	4.958 x	259.50 *	14.59 *	330.80 *	80.53 *
Zurich	2.1475	3.6697	85.50 *	30.235 *	0.1499	78.375 *	4.4033 *	—	24.38 *
1 ECU	0.9363	0.5479	2.3512	6.65	1,340.76	2.564	45.6253	2.01	8.2627
1 SDR	1.0758	0.629233	2.7021	7.6414	1,540.55	2.9461	52.3807	2.3180	9.5047

Dollar Values

$ Equiv.	Currency	Per U.S.$	$ Equiv.	Currency	Per U.S.$	$ Equiv.	Currency	Per U.S.$
0.9456	Australian $	1.0576	0.0335	Israeli shekel	29.87	0.4577	Singapore $	2.1848
0.0567	Austrian schilling	17.65	0.0038	Japanese yen	268.375	0.8663	S. African rand	1.1544
0.0196	Belgian fin. franc	51.05	3.425	Kuwaiti dinar	0.292	0.0014	S. Korean won	744.30
0.8142	Canadian $	1.2283	Closed	Malay. ringgit	—	0.0088	Spanish peseta	114.545
0.1134	Danish krone	8.825	0.1392	Norw. krone	7.1855	0.1365	Swedish krona	7.3305
0.1838	Finnish mark	5.4405	0.1077	Phil. peso	9.2851	0.0251	Taiwan $	39.94
0.014	Greek drachma	71.80	0.0113	Port. escudo	89.036	0.044	Thai baht	22.7273
0.1531	Hong Kong $	6.5315	0.2907	Saudi riyal	3.4405	0.2723	U.A.E. dirham	3.673
1.355	Irish £	0.738						

£ Sterling: 1.3606 Irish £.

(a) Commercial franc. (b) Amounts needed to buy one pound. (*) Units of 100. (x) Units of 1,000.

IN THE COURT OF QUEENS BENCH OF THE PROVINCE OF NEW BRUNSWICK

IN THE MATTER OF I.O.S. LTD.,

- and -

IN THE MATTER OF the Winding-Up Act of Canada, Revised Statutes of Canada, 1970, Chapter W-10

NOTICE TO CREDITORS OF I.O.S. LTD.

TAKE NOTICE that all creditors of I.O.S. Ltd. wishing to make claims against the assets of that company shall do so by filing with The Clarkson Company Limited, Agent for the Liquidators at P.O. Box 251, Royal Trust Tower, Toronto, Ontario M5K 1J7, on or before the 31st day of January, 1983, a proof of claim in the Form approved, of which a copy can be obtained by writing to or contacting Hanson, Hashey at the address given below.

AND FURTHER TAKE NOTICE that the claim of any creditor not filed on or before the 31st day of January, 1983 shall be deemed to have been disallowed, unless otherwise ordered by the Court;

AND FURTHER TAKE NOTICE that rules of procedure providing for the filing of proofs of claim, dispute of claims by creditors, contestations of claims and payment of claims, have been approved by Order of the Court dated the 1st day of October, 1982, the original of which is on file at the office of the Registrar of the Court of Queen's Bench of New Brunswick and copies of which can be obtained by writing to or contacting Hanson, Hashey, P.O. Box 310, 61 Carleton, Street, Fredericton, New Brunswick, Canada E3B 4Y9, Solicitors for the Liquidators of I.O.S. Ltd.

DATED this 4th day of October, 1982.

JOHN A.G. PAGE & JACQUES B. BRAZEAU,
Liquidators of I.O.S., Ltd.

Market Summary, Oct. 18

Dow Jones Averages

	Open	High	Low	Close	Ch'ge
30 Ind	995.31	1023.45	991.63	1019.22	+26.12
20 Trn	402.35	411.45	397.73	409.77	+7.79
15 Util	121.08	122.65	120.48	122.80	+0.74
65 Stk	385.79	395.30	383.95	393.56	+6.29

Standard & Poors Index

	High	Low	Close	Ch'ge
Composite	137.47	133.23	136.73	+3.16
Industrials	153.76	148.91	152.90	+3.63
Utilities	60.99	59.73	60.69	+0.75
Finance	16.32	15.83	16.28	+0.43
Transp.	22.92	22.16	22.81	+0.51

Odd-Lot Trading in N.Y.

	Buy	Sales	*Short
Oct. 15	176,203	596,608	3,065
Oct. 14	240,465	733,570	2,802
Oct. 13	253,310	863,857	2,968
Oct. 12	281,592	973,845	3,987
Oct. 11	265,156	803,310	3,276

*Included in the sales figures.

Market Diaries

	NYSE Close	NYSE Prev.	AMEX Close	AMEX Prev.
Volume	82.79	94.48	7.22	6.81
Adv.	238	699	443	318
Vol. Up	49.45	24.38	4.93	3.04
Decl.	450	966	183	308
Vol. Down	11.89	46.20	0.99	2.51
Unch.	309	322	208	212
Total	1,997	1,987	834	838
New highs	211	137	77	48
New lows	1	2	1	2

Dow Jones Bond Averages

	Close	Ch'ge
Bonds	69.26	+0.22
Utilities	70.33	+0.15
Industrials	68.20	+0.29

AMEX Stock Index

High	Low	Close	Ch'ge
318.14	302.43	318.13	+4.25

AMEX Most Actives

	Sales	Close	Ch'ge
WangB	298,600	45½	+2⅝
DomePtrl	297,200	2 13-16	
KirbyExp	266,700	11	+ ½
Ozark Air	179,000	13¾	+ ⅝
ResrtIntA	137,200	22¾	+2⅛
Champ Ho	96,700	3½	+ ⅛
FrontierHold	94,400	23	+ ⅝
GrandCtl	91,700	14¼	+ ⅝
TIEComm	90,100	28	+1⅛
Alaska Airl	88,900	7¾	— ⅛
MitchlEng	88,900	19⅝	— ¼

NYSE Index

	High	Low	Close	Ch'ge
Composite	78.40	77.19	78.40	+1.46
Industrials	89.51	88.21	89.51	+2.02
Transp.	68.29	67.20	68.29	+1.40
Utilities	43.59	43.26	43.59	+0.54
Finance	82.44	81.18	82.44	+1.36

NYSE Most Actives

	Sales	Close	Ch'ge
Gulf StaUt	2,782,600	13⅝	+ ¼
AMRCorp	1,456,000	15⅝	— ⅞
IBM	1,135,400	83	+3½
AmerT&T	1,109,200	60½	+1
Exxon	1,026,600	31⅛	+ ⅞
StorageTech	848,800	18⅛	— ⅝
PhillipsPet	848,700	36	+1½
McDonlds	739,000	58½	+ ⅞
East Kodak	738,200	75¾	+5
WarnrCom	738,000	46	+ ¼
SearsRoeb	698,700	27	+1½
FedNat Mtg	645,300	19	+1
JohnsJn	623,200	43⅝	+2½
Wstn Union	622,200	57⅞	+5⅝
CaesarsWld	585,000	10⅝	+1⅛

Monday's NYSE Closing Prices

Tables include the nationwide prices up to the closing on Wall Street.

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls. 100s	High	Low	Close Quot.	Ch'ge Prev Close
8½	5¾	AAR	.44	5.1	23	148	u 8¾	8⅝	8⅝	+ ¼
42	27½	ACF	2.76	8.1	6	229	34¼	33½	34¼	+ ¾
28½	17¾	AMF	1.36	7.7	6	1903	17¾	16⅞	17¾	+ ¾
20⅞	10½	AtlasCp	.25e	1.6	2	108	16⅛	15½	16⅛	+ ⅝
29½	20	Augat	.32	1.1	19	110	28⅝	28	28¼	
30¼	20⅞	AutoDt	.50	1.8	16	556	28⅞	27⅝	28⅜	+ ¼
27	13⅞	AvcoCp	1.20	4.6	10	478	26⅜	25⅛	26¼	+1⅛
22⅞	16⅞	CenHud	2.48	11.	6	65	22⅝	22⅛	22⅝	+ ⅛
18⅝	13½	CenIlLt	1.94	11.	7	425	18⅛	17⅝	18	
35	28½	CnILt	pf4.50	13.		z120	u36½	34½	34½	— ⅜
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

(Continued on Page 18)

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U.S. Seeks Cut in Trade Concessions

By Tom Heneghan
Reuters

GENEVA — The United States has proposed North-South negotiations to eliminate some of the tariff concessions developing countries have in trade with the industrialized world, trade diplomats said here Monday.

The U.S. plan calls for higher tariffs in developed countries for goods from fast-growing states such as Brazil and Taiwan, and at the same time lower trade barriers in developing countries for imports from industrialized countries, the diplomats said.

They said that the United States made the proposal formally last week at a closed-door meeting preparing for a conference in Geneva next month of trade ministers from the 87 members of the General Agreement on Tariffs and Trade.

The proposal has already been widely criticized by Third World states as one-sided.

According the United States, the rapidly-developing Third World states — the so-called newly industrialized countries — have become mature competitors in certain sectors and no longer deserve some of the trade concessions granted them when their industries were starting.

U.S. officials say that these countries should be removed from the generalized system of preferences, a system of low or zero tariffs developed states have conceded to the Third World since 1970, and pay tariffs somewhere between the this level and the rate paid by industrialized countries.

Poorer countries would continue trading under tariffs of the generalized system of preferences.

The newly industrialized countries then would be under pressure in the bilateral negotiations to lower their often prohibitively high import barriers and increase access to their markets for goods from the industrialized world.

The proposal said, "Developed countries have a strong desire to expand their trade with developing countries, which represent their largest growth market, but are experiencing growing frustration with the import barriers."

U.S. exports to developing countries have risen from $7 billion in 1961 to $89 billion in 1981, more than total of U.S. exports to Western Europe and Japan. Developing countries buy almost 40 percent of all the manufactured goods the United States exports.

U.S. officials have stressed in private that, given the growing mood of protectionism in the United States, Congress is unlikely to again ratify the generalized system of preferences when the agreement expires late 1983 if there are no concessions.

Third World diplomats reject any change in the generalized system of preferences. They say that their trade terms have already worsened with the recession.

Singapore and Hong Kong, they also argue, have no more trade barriers to lower, while the high trade deficits and external debts of such countries as Brazil and Mexico rule out any chance that they will substantially loosen their import guidelines.

Diplomats from developing countries say they would prefer to focus at the GATT meeting on specific Third World grievances such as the need for further liberalization in trade in tropical products.

They say GATT members agreed to this during the 1973-1979 Tokyo Round of Trade Negotiations, but few steps have been taken.

Switzerland has come forward with its own proposal, which is similar to the U.S. proposal but differently argued.

Swiss officials say many of the stronger developing countries have already lost some of their generalized system of preferences privileges and find their exports restricted by protectionist measures.

One Swiss proposals calls for GATT to set a new tariff rate for newly industrialized countries and lay down rules for developing countries wanting to negotiate new trade concessions with the industrialized world.

W. German Profits Expected to Fall

The Associated Press

FRANKFURT — West German 1982 corporate earnings will be steady to lower on average in comparison with 1981 levels, according to a study released Monday by Berliner Handels und Frankfurter Bank. It said cost-cutting measures by the 40 companies surveyed could not fully compensate for the sluggish economy, which caused broad declines in orders this year.

The bank said chemical firms, heavily dependent on orders from other industry sectors, were especially vulnerable to a decline in profits, though Schering's earnings are not expected to change.

Steady to higher 1982 results were forecast for machine makers. The per share earnings of the automaker Volkswagenwerke are forecast to fall to less than half of the 25 Deutsche marks in 1981. But Daimler-Benz should end the year with an unchanged profit figure, according to the bank.

Strike, Loss Increase Gloom at Caterpillar

(Continued from Page 15)

insisted that Caterpillar provoked the strike. He warned that the company "could be playing with fire" and that the outcome of the strike, the second since Lee L. Morgan became chairman in late 1977, may be as devastating to Caterpillar as a six-month strike was for a weakening International Harvester three years ago.

Caterpillar built up huge stocks before the strike. At the end of the second quarter, inventory stood at $2.3 billion, $500 million more than a year earlier.

Some analysts say the inventory buildup was a gross miscalculation of the market's strength rather than a planned increase for a strike. At the beginning of the year, Caterpillar had been expecting a sales increase. At midyear it hoped that sales would stabilize at 20 percent below those of last year. The bottom fell out in August, however, and sales are now 40 percent off last year's pace.

Caterpillar wants a reduction in the paid holiday and vacation time that each union member gets a year. The company is offering a 9-percent raise over three years, saying that the labor cost gap with Japanese workers must be narrowed. The company says Caterpillar employees earn about $20 an hour, including benefits, almost twice the compensation of Japanese workers.

But the union says the company offered a list of 74 "give-backs," including big reductions in the cost-of-living allowance, and has refused to open the books as other troubled companies have done when they sought concessions from the UAW. "If they want concessions they'll have to open their books," Mr. O'Connor said.

Many union members fear that concessions will not save jobs that are being lost to labor-saving machinery.

Critics of Caterpillar also point to the purchase of Harvester's industrial turbine engine and compressor business. Many analysts said over a year ago that Caterpillar paid too much for Harvester's Solar division when it shelled out $505 million in borrowed cash.

That acquisition and the financing of the inventory buildup have pushed the company's short-term debt up to more than $900 million, compared with $357 million in July 1981. Solar's sales are weak because of the decline in oil and gas drilling, its main market. But Caterpillar concedes that, in addition, expanding on borrowed money in the face of a declining tractor market was probably not the most prudent thing to do.

"When we made the decision to increase debt to acquire Solar no one figured that business would fall off the way it did," Mr. Newhouse said. "Now we're borrowing money just to operate."

The company's debt-to-capitalization ratio has risen to 45 percent from its customary range of 20 to 30 percent. Larger interest expense along with increased depreciation costs have hammered Caterpillar's profits this year.

To limit the fallout from the higher debt, Caterpillar has trimmed capital expenditures by $150 million this year and plans another $175 million cut next year. The cutbacks will delay construction on an automated parts distribution plant and a training center here. Both are key elements of the company's drive to increase productivity.

"What investors want to know now," Mr. Blanton said, "is whether they'll fill up their idle capacity in any reasonable length of time and whether their margins will recover to previous peaks."

Mediator Calls for Talks

A federal mediator has called negotiators for Caterpillar and the UAW to resume bargaining Oct. 27, The Associated Press reported from Peoria. The two sides had not met since the strike started, and the session will mark the first time a federal mediator has entered the negotiations.

Allis Loses $63.5 Million In 3d Quarter

Compiled by Our Staff From Dispatches

MILWAUKEE — Allis-Chalmers Corp. lost $63.5 million in the third quarter, bringing the nine-month total loss to $76.7 million, the diversified equipment maker said Monday.

It said a similar loss is expected in the fourth quarter because of additional production shutdowns at its agricultural equipment plants.

In August, the company said it expected to report a major loss from 1982 operations due to these plant closings, as well as further operating losses expected in its material handling equipment business for the rest of the year.

The company shut down production at agricultural equipment plants for extended periods of the third quarter to reduce inventories due to soft retail demand. This resulted in sales to dealers dropping more than 70 percent from the 1981 third quarter, it said.

The third quarter sales fell to $338.39 million from $517.74 million a year earlier, when the company earned $7.89 million. The nine-month sales slipped to $1.253 billion from $1.596 billion a year ago, when there was a profit of $17.34 million.

David C. Scott, the company's chairman, cited the poor global market for farm machinery as the main cause of the decline.

Swiss Trade Deficit Widens

Reuters

BERN — The Swiss trade deficit totaled 881.8 million Swiss francs ($409.1 million) in September, compared with 779.8 million in August and 941.5 million in September 1981, the federal Customs Office said Monday.

COMPANY REPORTS

Revenue and profits, in millions, are in local currencies unless otherwise indicated.

France

Cie Gen. d'Elect.

1st Half	1981	1980
Pretax Net ..	186.2	190.7

Full name of company is Compagnie Generale d'Electricite.

United States

American Cyanamid

3rd Quar.	1982	1981
Revenue	861.2	935.0
Profits	27.1	52.3
Per Share	0.56	1.09
9 months	1982	1981
Revenue	2,610.	2,720.
Profits	93.2	148.7
Per Share	1.93	3.10

Amer. Hosp. Supply

3rd Quar.	1982	1981
Revenue	745.2	676.6
Profits	43.8	34.4
Per Share	0.61	0.48
9 months	1982	1981
Revenue	2,180.	1,950.
Profits	125.3	101.2
Per Share	1.73	1.42

1981 restated.

Amer. Home Products

3rd Quar.	1982	1981
Revenue	1,200.	1,180.
Profits	144.8	131.0
Per Share	0.93	0.84
9 months	1982	1981
Revenue	3,480.	3,180.
Profits	415.9	369.4
Per Share	2.67	2.36

Armco

3rd Quar.	1982	1981
Revenue	1,200.	1,740.
Net	loss122.6	67.1
Per Share	—	1.19
9 months	1982	1981
Revenue	4,320.	5,110.
Net	loss162.	224.0
Per Share	—	3.93

Burlington Northern

3rd Quar.	1982	1981
Revenue	1,050.	1,170.
Profits	43.2	59.2
Per Share	1.11	1.63
9 months	1982	1981
Revenue	3,100.	3,390.
Profits	202.2	193.0
Per Share	5.26	4.96

Burroughs

3rd Quar.	1982	1981
Revenue	1,020.	797.3
Profits	36.1	32.4
Per Share	0.86	0.78
9 months	1982	1981
Revenue	3,070.	2,390.
Profits	99.7	86.0
Per Share	2.07	2.07

Champion Int'l

3rd Quar.	1982	1981
Revenue	950.6	1,000.
Profits	16.6	24.5
Per Share	0.24	0.38
9 months	1982	1981
Revenue	2,800.	3,070.
Profits	28.7	100.6
Per Share	0.32	1.63

Crown Zellerbach

3rd Quar.	1982	1981
Revenue	749.2	790.4
Profits	7.40	6.90
Per Share	0.06	0.15
9 months	1982	1981
Revenue	2,220.	2,380.
Profits	34.20	46.10
Per Share	0.80	1.46

First Boston

3rd Quar.	1982	1981
Revenue	140.9	60.0
Profits	30.2	8.75
Per Share	5.29	1.56
9 months	1982	1981
Revenue	321.1	177.6
Profits	58.3	21.9
Per Share	10.41	3.94

First Nat'l Boston

3rd Quar.	1981	1980
Oper. Net	36.0	29.1
Per Share	1.97	1.53
Net Income	35.5	27.7
Per Share	1.95	1.45
9 months	1981	1980
Oper. Net	90.2	85.8
Per Share	4.79	4.53
Net Income	86.0	85.9
Per Share	4.56	4.53

Per share adjusted for 3-for-2 split in March, 1982.

General Signal

3rd Quar.	1982	1981
Revenue	384.9	410.5
Profits	25.38	27.32
Per Share	0.90	0.99
9 months	1982	1981
Revenue	1,250.	1,270.
Profits	84.71	84.63
Per Share	3.01	3.06

Golden West Fin.

3rd Quar.	1982	1981
Revenue	219.2	150.7
Net Loss	10.01	14.4
9 months	1982	1981
Revenue	538.7	463.6
Net Loss	36.17	3.28

Grace (W.R.)

3rd Quar.	1982	1981
Revenue	1,440.	1,600.
Profits	44.4	98.1
Per Share	0.92	1.24
9 months	1982	1981
Revenue	4,540.	4,770.
Profits	265.5	281.9
Per Share	5.50	5.86

GTE

3rd Quar.	1982	1981
Revenue	2,980.	2,720.
Profits	199.1	175.0
Per Share	1.11	1.03
9 months	1982	1981
Revenue	8,910.	7,960.
Profits	598.1	531.7
Per Share	3.39	3.21

Hospital Cp. of Amer.

3rd Quar.	1982	1981
Revenue	883.1	607.3
Profits	40.6	25.7
Per Share	0.70	0.52
9 months	1982	1981
Revenue	2,630.	1,650.
Profits	130.2	82.8
Per Share	2.31	1.72

IC Industries

3rd Quar.	1982	1981
Revenue	967.0	1,030.
Profits	11.0	36.3
Per Share	0.47	1.80
9 months	1982	1981
Revenue	1,590.	1,570.
Profits	41.7	91.0
Per Share	1.93	4.40

Kimberly-Clark

3rd Quar.	1982	1981
Revenue	741.7	713.7
Profits	54.0	49.2
Per Share	2.40	2.22
9 months	1982	1981
Revenue	2,210.	2,160.
Profits	170.6	165.1
Per Share	7.64	7.30

1981 results restated.

Koppers

3rd Quar.	1982	1981
Revenue	479.4	540.9
Profits	19.1	25.2
Per Share	0.61	0.84
9 months	1982	1981
Revenue	1,280.	1,510.
Profits	16.0	37.4
Per Share	0.36	1.15

Lilly (Eli) & Co.

3rd Quar.	1982	1981
Revenue	670.9	623.8
Profits	83.5	87.0
Per Share	1.10	1.14
9 months	1982	1981
Revenue	2,240.	2,610.
Profits	312.3	288.1
Per Share	4.11	3.79

1981 results restated.

Merck & Co.

3rd Quar.	1982	1981
Revenue	753.4	699.5
Profits	94.5	85.9
Per Share	1.28	1.16
9 months	1982	1981
Revenue	2,270.	2,160.
Profits	315.6	304.2
Per Share	4.27	4.12

Monsanto

3rd Quar.	1982	1981
Revenue	1,500.	1,630.
Profits	71.0	123.6
Per Share	1.79	3.09
9 months	1982	1981
Revenue	4,860.	5,390.
Profits	304.7	393.4
Per Share	7.67	10.25

Motorola

3rd Quar.	1982	1981
Revenue	912.4	876.1
Profits	34.5	41.2
Per Share	0.96	1.15
9 months	1982	1981
Revenue	2,790.	2,640.
Profits	114.4	138.6
Per Share	3.17	3.89

Penn Central

3rd Quar.	1982	1981
Revenue	757.8	935.4
Profits	33.9	58.5
Per Share	0.78	1.55
9 months	1982	1981
Revenue	2,380.	2,470.
Profits	116.8	136.8
Per Share	2.83	3.45

1981 per share restated for 3-for-2 split in January, 1982.

RCA

3rd Quar.	1982	1981
Revenue	2,040.	1,890.
Net	47.6	loss104.8
Per Share	0.40	—
9 months	1982	1981
Revenue	6,060.	5,890.
Net	168.6	loss3.8
Per Share	1.56	—

Sherwin-Williams

3rd Quar.	1982	1981
Revenue	491.4	399.0
Profits	18.8	14.6
Per Share	1.78	1.45
9 months	1982	1981
Revenue	1,410.	1,100.
Profits	37.9	31.0
Per Share	3.61	3.05

Union Camp

3rd Quar.	1982	1981
Revenue	374.7	430.6
Profits	28.7	44.4
Per Share	1.18	1.82
9 months	1982	1981
Revenue	1,130.	1,290.
Profits	94.7	133.3
Per Share	3.89	5.48

United Technologies

3rd Quar.	1982	1981
Revenue	3,310.	3,260.
Profits	113.20	123.76
Per Share	1.78	2.05
9 months	1982	1981
Revenue	10,030.	10,160.
Profits	420.89	360.18
Per Share	7.00	6.28

Warner Comm.

3rd Quar.	1982	1981
Revenue	1,020.	872.3
Profits	78.7	58.6
Per Share	1.21	0.97
9 months	1982	1981
Revenue	2,860.	2,150.
Profits	224.8	150.7
Per Share	3.46	2.39

Selected Over-the-Counter

Oct. 18

Closing NASDAQ Prices

AELInd	15⅛	15⅝
AFAProt	29½	31¼
AVMCp	4½	4⅝
Acadins	18¾	19
Accuray	11⅝	11¾
AddisnW	12½	13
AdvRoss	4¼	4⅝
AffBsh	18½	18¾
Allcolnc	35	36
Amarex	5⅞	6
AFurn	6⅛	6⅞
AGreet	35¼	35½
AInGp	77½	78
ANatIns	15⅛	15⅝
AQuasr	7½	7⅝
AResMg h	2⅜	2½
Anadite	7⅝	7⅞
AnaSA	12⅝	12¾
AngAGd	81¼	82
AppleC	23⅛	23¼
ApldMt	17¾	18¼
ArdenGp	4½	4⅝
AtlGsLt	16¼	16½
AtlanR s	27½	27¾
Avntek	18⅝	18⅞
BBDO	55	55¼
BairdCp	7⅛	7⅜
BallyPP	6⅜	6⅝
BangHE	12	12¼
BasicR g	1 7-16	1 9-16
BassttFr	32½	33
BaylsMk	11¾	12⅛
Beeline	5⅜	5¾
BentPt h	5-16	7-16
BetzL s	34⅜	35
BevMat	24½	24¾
BibbCo	13⅜	14¼
BirdSon	10	10⅛
Birtchr	5⅜	5⅞
Blyvoor	12⅝	13½
Bonanz	1⅞	2 1-16
BrwTom	12⅝	12¾
Buckbee	14	14¼
Buffets	43	43⅛
BurnupS	13⅛	13¼
CNLFin	2½	3¼
CPT	15½	15⅝
CalWtSv	39½	40¼
CanradH	3½	3⅝
CapEn	½	⅝
CapSwst	10¼	11¼
CapAir	4¼	4⅝
CareCp	23½	24¾
Carus	10⅝	11⅛
CharRiv	33½	34¼
ChrmS	14⅝	14⅞
ChartH	23	23⅛
ChmLea	17½	18½
ChesUtl	17⅞	19
Chubb	47¼	47⅝
Cirfics	6⅜	6⅝
CtzSoGa	9½	9⅝
CtzUtA	43½	44
CtzUtB	39⅝	40½
ClarkJL	33	33½
ClowCp	6⅛	6¼
CoirTle	20⅝	20½
ColoGas	9-32	5-16
ComCtH	40	40½
CmlShr	10	11
CmwTel	14½	15½
ConPap	28⅝	29¼
Cordis	33	33¼
CrosTre	19⅞	20
CullrFd	¾	1¼
Cycltron	5⅞	6

DtaDes s	14⅝	15
DaytM	14	14⅝
DBeer	5 7-16	5½
DeklbAg	14	14⅛
DelCanT	10⅝	11½
DeweyEl	5⅜	7½
DiaCrys	28½	30
DbnCru	26	29
DocuOlv	16½	16⅝
DollrGn	23⅜	24
DoylDB	15½	16
DriefCn	26	26¼
DunkD	34	34⅛
Duriron	10⅝	10⅞
EatnVnc	17	17⅝
EconLab	24⅛	24¼
ElPasEl	12½	12⅝
ElderBe	5	5⅜
EleNucl	11¼	11⅝
ElMed s	20½	21¼
EnrDev	22¼	22½
EnrMet	1¾	1 15-16
EnRsv	4⅞	5
Entwhstl	13½	14¼
EqtOil	8⅝	8¾
vjFSC	5-32	7-32
FarmGp	37⅝	38
Fidlcor	24¼	24½
FtBkSys	34⅜	35¼
FtBostn	65¼	66
FtEmpS	21⅛	21½
FtWnFin	4⅝	4¾
FlagBks	23¾	23⅞
Flicker	25½	25⅞
FlaNFla	28⅝	29¼
Flurocb	7	7¼
ForestO	19½	19¾
Formigli	5	5½
FrankCp	11½	13
FrankEl	13¾	14
FreeSG	39½	39⅞
Fremnt	7	7¼
FulrHB	20¾	21
GnAutm	4⅜	4⅝
GnDevcs	1¾	2
GnRlEst	18½	20¼
GovEFp	12	12½
GraphSc	14⅝	15⅛
GreyAdv	71	75
GtfIntst	9	9½
Gyrodyn	6⅝	7¼
Hadson	7¼	7⅝
HamlPt	10¾	11¼
Hardwk	1⅞	2⅛
HrpRow	10⅛	10⅝
HarpGp	31¼	32
HartNt	23½	23⅝
Hchngr s	25½	25¾
HenrdF	35½	36
Holobm	2⅜	2½
Hoover	12	12⅝
HorizRs	3	3⅛
IMSInt	18½	18⅝
ISC	15¼	15⅝
Intraind	8½	9
Intel	37¼	37½
IntrcEnr	4⅛	4⅝
Intergph	29½	29¾
Intmed	17½	17⅞
IntmtGs	12⅝	12¾
InBWsh	5⅜	5⅝
IwaSoUt	27⅝	28
Jamsbv	15	15¾
Jerico	24⅝	24½
vjJiffy	3-16	¼
Joslyn s	25¼	25½

KaisSt pf	16	17⅛
Kalvar	1⅛	1¼
Kaman	25¼	25½
KellySv s	26½	27½
Kimball	19¾	20¼
Kinglnt	2⅛	2⅜
KloofG	34⅛	34⅝
KnapeV	13¾	14¼
Kratos	8¾	9
Kulicke	21½	21¾
Lance s	27	27¼
LandRes	4⅛	4⅝
LaneCo	46½	47
LfInvs	27⅜	28
LinBrd s	30¼	30⅝
Loewlm	18⅝	19¼
MCI s	26⅜	26¾
MGFOil	5⅛	5⅜
MadsGE	18¼	18⅝
MagelPt	3⅝	4
MalRt	4⅞	5
Marion	3¼	3⅝
MaxlLP	30	31½
MayPt	11	11⅛
MaynOil	6⅛	6⅝
McCorm	27⅝	27½
McFarl	8⅛	8¼
McQuay	12	12½
McRaeO	13⅞	14⅛
MidsxW	20⅝	21½
MdldCap	7⅝	8¼
MidlRes	9-16	11-16
MidlBk s	27⅝	28
Miller	27	27⅛
MissVIG	17¼	17⅜
Molex	50⅝	51¾
MonfCol	7½	7⅝
MonuCp	19⅞	20⅛
MooreP	28	28¼
Morsnln	13¾	13⅞
MotClub	9¼	9½
Mueller	19¼	21
NarrgC	29½	31
NData	18⅝	19
NetwkS	28	28¼
NYAlrt	2⅛	2¼
NickOG	6⅛	6¼
NielsnA	63⅝	63⅞
NielsnB	61½	61¾
NikeB	47	47¼
NCerGs	14⅝	15
NwtNGs	12	12⅛
NwstPS	17½	17⅝
Noxell	37	37¼
vjNucrp	½	⅝
Oceaner	14⅛	14½
OgilvyM	40	40½
OhioCas	42⅛	42¼
OhFerro	7⅛	8
OtterTP	21⅝	21⅞
PCAInt	5⅜	5⅞
PabstB	18⅝	18⅞
PcGaR	20	20⅝
PauleyP	7⅛	7¼
PeerMi	8	9½
PenaEnt	13⅝	14
Pentar s	22	22¼
PeopExp	15⅝	15¾
Petrlte	28¾	28⅞
Pettibon	14	14½
PhilaNat	44⅞	45⅛
PierceSS	14⅛	14¾
Pinkrtn	62	64
PionHi s	25¾	26
Plastine	¼	1
Possis	11¾	12½

PresGM	38⅝	38½
PrsStlyn	37¼	37½
Progrp	2¾	2⅞
PbSvNC	13⅝	14
PuritBen	16⅞	17⅛
PutDCap	16½	17¼
QuakrCh	20¾	21
RoganCo	6⅞	7⅛
Raymnd	18¾	19¼
Reeves	28	28¼
RoadSv	57½	57¾
RobbMy	10¼	11
Rouse	23⅜	23⅞
Sadlier	3⅞	4
Safeco	44	44⅛
StHelGd	35½	35¾
StPaul	59⅛	59⅝
ScripH	19⅝	20½
Seagate	15⅜	15½
Sensor s	33½	33⅞
SvcMer	22⅛	22⅝
Svcmst	35⅝	36
ShMed	41¼	41⅜
Shwmut	32	32¼
SieraRs	16¾	17¼
Siliconix	14½	15
SCalWtr	12½	12⅝
SwElSv	16½	17¼
Standyn	30	30⅛
StdMicro	13½	13⅝
StdRegs	54½	56
Stanhme	35	36
SterlSt	2¾	2⅞
StrawCl	29¾	31
Subaru	48	48¾
SuperEl	7⅝	8⅛
Sykes	7⅛	7½
TIME DC	¼	½
Tampax	41⅞	42
Tandem	26⅝	27
TecumP	65	66
TelcmA	21⅛	21¼
Tenant	16¼	16⅝
Tiprary	6⅞	6¾
TomlOil	2⅝	2⅞
Toyota s	7⅜	7⅝
TWstEx	5⅞	6⅛
TricoPd	24	26
TysonFd	20½	21
UnMcGil	16⅛	17¼
USEnr	5¼	5⅜
USSur	18	18¼
USTrck	12½	12⅝
UVaBsh	40⅝	41⅛
UnvEng	3½	3¾
UpPenP	14¼	15½
VaalR	78½	78¾
ValNatl	18¼	18⅝
VanDus	10⅛	10½
Velcro	15⅝	16¼
VictraSt	5¼	5⅜
VideoCp	4½	4⅝
VaNBsh	21¾	22
WarnEl	12½	13
WshEnr	14⅝	15⅛
WDeep	39⅝	39¾
WHold	44⅝	44⅞
WmorC	19	19¼
Wettrau	15⅛	15½
WiserO s	18¼	18⅝
WolvAlu	7⅜	7½
Womet	12⅝	12⅞
WoodLot	31	31½
WrighW	13⅝	13⅞
ZionUt	30½	31

n.a.- Not applicable.

Monday's NYSE Closing Prices

Tables include the nationwide prices up to the closing on Wall Street.

(Continued from Page 16)

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls. 100s	High	Low	Close Quot.	Ch'ge Prev. Close
16¼	8	PacSci	.36	2.3	10	105	15⅝	15⅛	15⅝	+ ⅛
17⅞	10⅜	PacTin	.40	3.3	31	1	12¼	12¼	12¼	
35⅞	13¾	PaineW	.50	1.4	41	891	35⅝	34⅝	35⅝	+ ⅜
29¾	13¾	PalmBc	1.20	5.9	9	113	20⅜	19⅞	20¼	
17½	13	PanABk	.54	3.2	9	10	17	17	17	
4¼	2½	PanAm				1941	2¾	2⅝	2¾	+ ⅛
40	20½	PanhEC	2.30	8.0	5	533	29	28½	28⅞	
22⅜	11¼	Pancft	s .85	4.1	11	159	20⅜	20	20⅜	+ ⅜
46	23⅝	Pardyn			26	1109	43¼	42	42⅞	+1¼
20	13⅝	Pargas	1.24b	6.4	7	283	19⅜	19	19⅜	
23	7½	ParkDrl	.16	1.5	3	2109	10⅝	9¾	10½	+ ¾
23½	14⅞	ParkH	.96	4.6	9	277	21	20½	21	+ ½
15¾	10⅜	ParkPn	.52	3.7	70	288	14	13¾	14	+ ⅛
23⅜	12⅝	Parsn	s 1	4.9	10	656	20½	19¾	20½	+ ½
18⅛	4½	PatPtrl			38	176	6⅝	6½	6⅝	+ ⅛
24	12½	PayIN	.44	1.9	12	192	23½	23¼	23½	
37¼	15¾	PayCsh	.20	.6	21	279	36½	34½	35⅝	+1
7½	4⅝	Peabdy	.16	2.4	32	259	6⅝	6⅜	6⅝	— ⅛
20⅞	2⅜	Penga	.02e	.5	6	977	4¼	4	4¼	+ ¼
32	20⅜	PenCn	2		6	670	27½	27	27	— ½
83½	61	PenC	pr5.27	6.8		167	77	76½	77	
13⅞	5	PennCo	.16b	1.4	13	800	11½	11¼	11⅜	+ ¼
52¼	25	Penney	2	4.1	9	1002	48⅝	47¼	48¾	+1¼
21½	15⅝	PaPL	2.32	11.	6	914	21⅜	21	21¼	
34½	27	PaPL	pf4.40	13.		z100	u35	35	35	+1
36	27⅛	PaPL	pf4.50	13.		z170	u36½	35½	35½	+ ¾
64	51	PaPL	pr8.40	13.		z610	u64½	62	64½	+2½
29	23	PaPL	dpr3.75	13.		38	28¾	28	28	—1
72	60	PaPL	pf9.24	13.		z30	72	72	72	
99	89¼	PaPL	pr 13	13.		z50	99	99	99	+2
61	49	PaPL	pr 8	13.		z10	60	60	60	— ½
67	57½	PaPL	pr8.70	13.		z110	66	66	66	—1
30¾	21½	Peawlt	2.20	7.0	9	396	u31⅝	30⅞	31½	+ ¾
44½	35	Penw	pf2.50	5.6			u45	45	45	+3½
19¼	14⅛	Penw	pf1.60	8.5		14	18⅝	18¼	18¼	+ ¼
57⅞	23⅝	Pennzol	2.20	6.7	9	1614	33⅛	32⅝	32⅝	
21⅞	11⅛	PeopD	s .36	1.7	11	33	21½	20⅝	21½	+ ⅞
10¼	7	PeopE	n 1	11.	6	415	9⅝	9⅛	9⅝	— ¼
50	31⅛	PepsiCo	1.62	3.4	12	1929	47¾	47	47¼	
28⅞	17	PerkEl	.50	1.9	18	1248	26½	25⅛	26½	+1⅛
14¼	8⅛	Prmian	1.35e	12.	8	325	11⅞	11⅛	11⅝	
29¾	17⅛	Petrie	1.40	4.9	13	1115	28½	27⅜	28½	+1⅛
19⅝	10½	Petrln	.50	3.7	7	1389	13¾	13⅛	13⅝	— ⅛
37⅛	22½	PetRs	6.35e	21.		47	30⅛	29½	30	
35	28	PetRs	pf1.75	5.2		13	34¾	33¾	33¾	— ¼
80⅜	43¾	Pfizer	1.84	2.4	23	2891	78¼	76¼	78	+1⅞
37	18¼	PhelpD	.30f			1033	26⅝	25¾	26	+1⅛
48	20⅜	Phibro	.94	1.9	12	3388	u48½	45¼	48½	+2⅜
17⅛	13	PhilaEl	2.12	12.	7	3484	17	16⅝	17	+ ½
29	23	PhilE	pf3.80	13.		z220	29	28¾	28¾	— ¼
33	25	PhilE	pf4.30	13.		z50	33	33	33	+1
33¼	26	PhilE	pf4.40	14.		z20	31¼	31¼	31¼	—1¼
35½	27½	PhilE	pf4.68	13.		z300	35½	35	35½	+1½
53½	42	PhilE	pf 7	13.		196	u55	52¾	52¾	— ¾
65	51½	PhilE	pf8.75	13.		z740	u65¼	64¼	65	+1¼
58½	46	PhilE	pf7.85	14.		105	56⅛	56¼	56½	—2⅜
118	99	Phil	pf 17.13	15.		z1670	117½	116½	117½	+ ⅜
106	90⅜	PhilE	pf15.25	14.		z70	106	106	106	+1
71¼	57¼	PhilE	pf9.52	13.		z310	u72	71	72	+2½
69¾	54	PhilE	pf9.50	14.		z470	u70	68⅛	70	+1⅞
58	45	PhilE	pf7.80	14.		z180	57¾	57½	57½	+1½
56½	45	PhilE	pf7.75	14.		z200	56	55⅞	56	— ½
12⅛	8⅝	PhilSub	1.20	9.9	9	81	u12¼	11¾	12⅛	+ ¼
62	44⅞	PhilMr	2.40	4.0	10	2778	60¾	58⅞	60½	+1⅜

Monday's AMEX Closing Prices

Tables include the nationwide prices up to the closing on Wall Street.

(Continued on Page 19)

U.S. Futures Prices

Oct. 18

BRITISH POUND
$ per pound; 1 point equals $0.0001

	Open	High	Low	Settle	Chg.
Dec	1.7110	1.7125	1.7055	1.7065	
Mar	1.7140	1.7140	1.7115	1.7110	—5
Jun				1.7160	—25

Prev. sales 4,580.
Prev day's open int 13,813, off 972.

CANADIAN DOLLAR
$ per dlr; 1 point equals $0.0001

	Open	High	Low	Settle	Chg.
Dec	.8115	.8125	.8109	.8124	+25
Mar	.8091	.8101	.8088	.8100	+21
Jun				.8075	+27

Prev. sales 3,236.
Prev day's open int 13,818, off 315.

Market Guide

Chicago Board of Trade: Wheat, corn, soybeans, soybean meal, soybean oil, oats, fresh broilers, T-bonds, GNMA, 10-yr T-notes, plywood. Chicago Mercantile Exchange: Cattle, feeder cattle, hogs, pork bellies, lumber, S&P composite index. New York Mercantile Exchange: Maine potatoes, platinum, heating oil. Coffee, Sugar and Cocoa Exchange, New York: Coffee, sugar, cocoa. Cotton Exchange, New York: Orange juice, cotton. New York Comex: Copper, silver, gold. Int'l Monetary Market: T-bills, CD's, Eurodollars, British pound, Canadian dollar, French franc, German mark, Japanese yen, Swiss franc. Kansas City Board of Trade: Value Line. New York Futures Exch.: NYSE composite index.

Commodity Indexes

	Close	Previous
Moody's	980.50 f	981.80 f
Reuters	1,572.80	1,574.10
D.J. Futures	136.09	135.44

Moody's: base 100: Dec. 31, 1931.
p — preliminary; f — final
Reuters: base 100: Sep. 18, 1931.
Dow Jones: base 100: Dec. 31, 1974.

Highs and Lows

Oct. 18

NEW HIGHS—211

AARCp	Gen Elec	PhEl 9.52pf
AMD	GNC	PhEl 9.50pf
AhmanHF	GoPw 2.75pf	PhilaSub
AmHospit s	GoPw 7.80pf	Philips Ind
AMI Inc	GettyOil pf	PhilInd pf
AmWatr pfA	Gillette Co	Pitney Bow
ArizPSv pf	Goodyear	PitneyB 2.12pf
AshlO pf	GrowGp	PSInd 7.15pf
BkTr 4.22pf	HackWtr s	PSInd 8.38pf
Bell Howell	Hazeltine	PubSvc NH
Bemis Co		

$760 Million in Loans Sought by Philippines

Reuters

MANILA — The Philippines is negotiating for a total of $760 million in loans from the International Monetary Fund and the World Bank, the country's central bank said Monday. The bank said the funds would be used to soften the impact of an anticipated payments deficit this year of up to $800 million, up from $560 million.

The loans under negotiation are a $340-million standby credit and a $170-million compensatory financing facility from the IMF, and a $250-million structural adjustment loan from the World Bank. The talks are expected to be completed next month.

Gold Markets

Oct. 18

	A.M.	P.M.	Ch'ge
Hong Kong	432.00	427.20	—7.78
Luxembourg	426.25	—	—10.90
Paris (12.5 kilo)	425.15	426.86	—4.11
Zurich	427.75	431.00	—2.50
London	426.50	428.35	—4.25
New York	428.25	—	—4.25

Official fixings for London, Paris and Luxembourg, opening and closing prices for Hong Kong and Zurich. N.Y. Handy & Harman. U.S. dollars per ounce.

Other Markets

Oct. 18

Closing prices in local currencies.

Amsterdam

Brussels

Frankfurt

Hong Kong

London

Milan

Paris

Singapore

Sydney

Zurich

Tokyo

London Commodities

Oct. 18

London Metals

Oct. 18

Paris Commodities

Oct. 18

Cash Prices

Oct. 18

U.S. Money Rates

Oct. 18

Dividends

Oct. 18

هكذا من الأصل

هكذا من الأصل

Monday's AMEX Closing Prices

Tables include the nationwide prices up to the closing on Wall Street.

(Continued from Page 18)

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls. 100s	High	Low	Close Quot.	Ch'ge Prev Close
4⅝	2⅜	Dixico				122	4¼	3¾	4¼	+ ⅜
13⅝	2 1-16	DomeP				2972	2 15-16	2¾	2 13-16	
20¼	11⅞	Domtr	g 1			32	15¼	15¼	15¼	
21⅛	10	DorGas	.16	1.3	10	407	12⅝	12⅝	12½	— ¼
12⅝	7¼	Dotty	.30b	2.7	10	104	11¼	11	11	+ ⅛
7⅛	2¼	Downey	.20	3.9		309	u 7¼	6⅝	7¼	+ ⅛
25¼	3⅜	Driller			4	40	8⅛	7⅞	7⅞	— ⅜
31⅞	18½	Ducom	.70	2.4	18	25	30	29⅝	29⅝	— ½
25	12⅛	Dunes				70	15⅜	14⅝	14⅝	
1½	13-16	Dunlop	.12e	13.		28	15-16	⅞	15-16	+ 1-16
18	11⅝	Duplx	.68	3.9	7	28	17⅜	17⅜	17⅜	— ¼
14¼	7⅛	DurTst	.40a	3.3	12	32	12	11¾	12	
10⅝	6¼	Dynlctn	.20e	2.1	6	4⅝	10	9¼	9⅝	+ ½
16⅛	10¼	Dynear	.70	5.5	11	14	12⅝	12⅝	12⅝	
		E-E-E								
7	4⅝	EAC	.40	5.8	6	69	6⅞	6½	6⅞	+ ⅛
18	5⅜	EECO	.24	0.2	41	40	8⅞	8⅝	8⅞	+ ¼
20¼	7⅛	EDO	s		22	205	u 21½	19⅝	21½	+ 1⅞
4⅝	1⅛	ElAudD				8	1⅝	1½	1⅝	+ ⅛
20½	15	ElcAm	1.40	7.1	8	1	19¾	19¾	19¾	+ ¼
4⅝	2½	ElecSd				3	2⅝	2⅝	2⅝	+ ⅛
9	4⅝	Elsinor			29	73⁄4	7¼	6⅞	7⅛	+ ⅜
5⅝	2⅝	EmCar	.02t			36	4⅝	4¼	4⅝	— ¼
11⅞	3½	EnMet			7	51	5⅛	4⅝	4⅞	— ⅜
8⅞	3⅝	EngMin			21	37	4⅛	4⅝	4⅛	
13¼	7⅛	EngyRs	.06r	.5	42	8	11⅞	11¾	11⅞	
21½	2⅝	EnrSv	n			71	4⅛	3⅞	4⅛	
9	2 11-16	Ero In	s		11	115	u 9⅛	8⅝	9	+ ⅛
51¾	25⅞	Espey	.90	2.5	7	x10	36⅝	36¼	36½	
26	20	EsgRd	.81e	3.7	4	4	22⅝	22⅛	22⅝	+ ⅛
17¾	8⅝	EvanAr	.40b	2.3	11	17	17½	17⅜	17½	
11½	6¼	EvrJ A	.20	1.9	21	6	10⅝	10⅝	10⅝	— ⅛
21⅛	5⅝	ExctrO	.10	1.3	21	46	8	7⅝	7⅞	+ ⅛
7⅛	1⅛	ExplSv			11	20	2½	2¼	2¼	— ⅛
		F-F-F								
4⅝	3	FGI				3	3⅛	3⅛	3⅛	
17⅝	7⅞	FPA	s .10i		41	44	14¼	14	14	
14⅛	10⅝	Fabind	.50	3.6	6	31	13⅝	13½	13⅝	+ ¼
18⅝	12⅝	FairMC	.28	1.6	7	32	18¼	17⅛	18	+ ⅜
[illegible]										

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls. 100s	High	Low	Close Quot.	Ch'ge Prev Close
12⅛	5⅛	HlthCh			34	[illegible]				
7	5	HlthE	n		34	[illegible]				
10⅝	6⅝	HelthM	.44	5.3	7	[illegible]				
5	2⅝	HeinWr				[illegible]				
12⅝	5	Heinick	.10	1.4	9	[illegible]				
11⅞	7	Helzer				[illegible]				
3½	2	HimR	n		15	[illegible]				
7⅛	4⅛	HershO			40	[illegible]				
9¾	4⅝	HiGInc				[illegible]				
10¼	7	Hiphld	.36	38.		[illegible]				
8⅞	2⅝	Hindrl	n.09e	2.3	8	[illegible]				
25	11⅛	Hiptron	.16	1.0	12	[illegible]				
2	1⅛	Hofman				[illegible]				
12¼	4⅝	HollyCp	.24	2.9	7	[illegible]				
24⅝	14⅝	Hormi	.96	4.5	8	[illegible]				
21⅛	8⅞	HornHr	3.12t	16.	19	[illegible]				
22¼	10	HouOTr	2.39e	16.		[illegible]				
6	2	Howell				[illegible]				
26⅝	17¼	HubelA	1.16	4.4	9	[illegible]				
27½	17	HubelB	1.16	4.4	9	[illegible]				
37	23⅝	Hubbl	pf2.06	5.5		[illegible]				
9½	7⅛	HudGn	.30	3.2	3	[illegible]				
16	12	HuntM	s .36	2.2	13	[illegible]				
13⅛	5⅜	HuntH	.12	1.2	40	[illegible]				
12⅝	3 11-16	Husky	g .15			[illegible]				
		I-I-I								
18⅝	9½	ICH	.20	1.3	5	[illegible]				
25⅞	19⅝	ICM	1.95e	9.1	8	[illegible]				
11⅝	7	ICO	n		8	[illegible]				
5½	1⅝	IPM	n		9	[illegible]				
14⅝	12	IRT Pr	1.60	11.	9	[illegible]				
6⅝	4⅝	ImpCh	.38e	7.1	8	[illegible]				
2	1 1-16	ImpGp	.13e	6.7	16	[illegible]				
25⅞	16⅛	ImpOil	g1.40			[illegible]				
7⅛	3⅜	Inflight			25	[illegible]				
20⅝	12¼	Instron	.40	2.2		[illegible]				
3⅞	1½	InstSy				[illegible]				
4⅛	1¼	InsSy	pf.24t	15.		[illegible]				
4⅞	1	IntgEn	n			[illegible]				
6⅝	1½	IntEnf			7	[illegible]				
9⅝	5⅜	IntCty	g .40			[illegible]				
[illegible]										

[illegible]

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls. 100s	High	Low	Close Quot.	Ch'ge Prev Close
[illegible]										
14⅛	9⅝	URS	.40b	3.7	8	10	10⅝	10⅝	10⅝	+ ⅛
2⅛	1¼	USR	ind			65	1⅝	1⅝	1⅝	+ ⅛
12⅝	6⅝	Ultimte			30	72	11	10⅝	11	+ ¼
13½	8½	Unicorp	.40	3.3	13	15	12	11	12	
11⅝	6	Unimx	n			7	7¼	7	7¼	+ ¼
21	12⅝	UAirPd	.64b	3.3	10	2	19½	19¼	19½	+ ⅛
8⅛	3⅛	UnAbst			3	36	3 11-16	3 9-16	3 11-16	+ ⅛
29	22	UnCosF	.54t	1.9	9	4	28⅞	28⅞	28⅞	— ⅛
3¼	2⅛	UnFood	.20	7.0	7	72	2⅞	2¾	2⅞	+ ⅛
12⅝	5⅜	UMed	n1.04t	11.	13	23	9½	8⅝	9½	+ ⅜
21¼	13¼	UNatCo			20	15	17⅝	17⅛	17⅝	+ ⅜
13⅝	10⅛	UnRitIn	1.33e	9.9	10	19	13⅝	13⅝	13⅝	
10½	4½	USAir	wt			54	10⅛	10	10⅛	— ⅛
68	34½	USAir	pf 3	4.5		8	66	66	66	—2

Sales figures are unofficial

d—New yearly low. u—New Yearly high.

Unless otherwise noted, rates of dividends in the foregoing table are annual disbursements based on the last quarterly or semi-annual declaration. Special or extra dividends or payments not designated as regular are identified in the following footnotes.

a—Also extra or extras. b—Annual rate plus stock dividend. c—Liquidating dividend. e—Declared or paid in preceding 12 months. g—In Canadian funds, subject to 15% non-residence tax. i—Declared or paid after stock dividend or split-up. j—Paid this year, dividend omitted, deferred or no action taken at last dividend meeting. k—Delcared or paid this year, an accumulative issue with dividends in arrears. n—New issue. r—Declared or paid in preceding 12 months plus stock dividend. t—Paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date.

x—Ex-dividend or ex-rights. y—Ex-dividend and sales in full. z—Sales in full.

cld—Called. wd—When distributed. wi—When issued. ww—With warrants. xw—Without warrants. xdis—Ex-distribution.

vi—In bankruptcy or receivership or being reorganized under the Bankruptcy Act, or securities assumed by such companies

Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day.

Where a split or stock dividend amounting to 25 per cent or more has been paid the year's high-low range and dividend are shown for the new stock only.

Quality Dispute Delays World Accord on Tea

Reuters

GENEVA — Tea exporters and consumers have failed to set international quality standards essential to any global agreement to help boost tea prices, the UN Conference on Trade and Development reported Monday.

A week-long meeting of officials from tea exporting and importing countries ended in Geneva on the weekend, UNCTAD said in a statement said. The meeting called for the consideration of more information on black tea qualities at another meeting late next year.

The action probably will delay progress on an international tea agreement, which UNCTAD supports as a way of aiding exporting countries when tea prices have fallen 30 percent on world markets in 10 years.

At the last meeting in May, producers agreed that all countries exporting more than 10,000 metric tons a year would limit exports to keep prices within certain limits. Quality standards would be needed, the producers said, to determine the types of tea to include in any agreement.

A quota of less than 825,000 tons a year was expected, but exporting countries have had difficulty in deciding how it should be divided. Some countries that have recently joined the export market, especially Kenya, want larger shares for their growing industry.

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls. 100s	High	Low	Close Quot.	Ch'ge Prev Close
7⅛	4½	UnityB				4	5⅛	5⅛	5⅛	+ ⅛
15¼	9⅝	UnvCla	.20	1.9	7	3	10½	10⅝	10½	+ ⅛
15⅝	9¼	UnvCm			24	38	u 15⅝	15⅝	15⅝	+ ⅜
22½	5⅝	UnivRs	.20	2.6	7	161	8	7⅝	7⅝	
9⅝	6⅝	UnivRu	.18i		40	7	8⅝	8⅝	8⅝	+ ⅛
		V-V-V								
17½	13	VallyR	1.52	11.	5	2	14⅝	14⅝	14⅝	+ ⅛
16¾	9⅝	Valmac	.75	4.6	9	7	16⅝	16⅛	16⅛	— ⅛
17	10⅝	Valspar	.60	3.6	7	6	16½	16¼	16½	+ ⅛
37¾	16	Verbtm			19	620	37½	36½	37½	+ ⅝
[illegible]										

Canadian Stock Markets Oct. 15

Prices in Canadian cents unless marked $.

Toronto

Sales	Stock	High	Low	Close	Ch'ge
[illegible]					

Montreal

Sales	Stock	High	Low	Close	Ch'ge
[illegible]					
2194	DomTxtA	$12½	12½	12½	
14487	NatBk Cda	$ 6⅝	6¼	6¼	— ⅛
2500	Power Corp	$12⅛	11⅞	11⅞	— ⅛
14855	Royal Bank	$24⅝	24¼	24⅝	
100	RoyTrstco	$15½	15½	15½	+1
220	SteinbrgA	$29	28½	29	

Canadian Indexes Oct. 18

	Noon	Previous
Montreal	320.37	318.70
Toronto	1,769.00	1,759.30

Montreal: Stock Exchange Industrials Index.
Toronto: TSE 300 Index.

Eurocurrency Interest Rates Oct. 18

	Dollar	D-Mark	Swiss Franc	Sterling	French Franc	ECU	SDR
[illegible]							

Floating Rate Notes Closing prices, Oct. 18

Banks

Issuer-Min cpn-Mat.	Coupon	Next	Bid	Asked
[illegible]				

Non Banks

Issuer-Min cpn-Mat.	Coupon	Next	Bid	Asked
[illegible]				

Prices supplied by Credit Suisse-First Boston Ltd., London.

ADVERTISEMENT

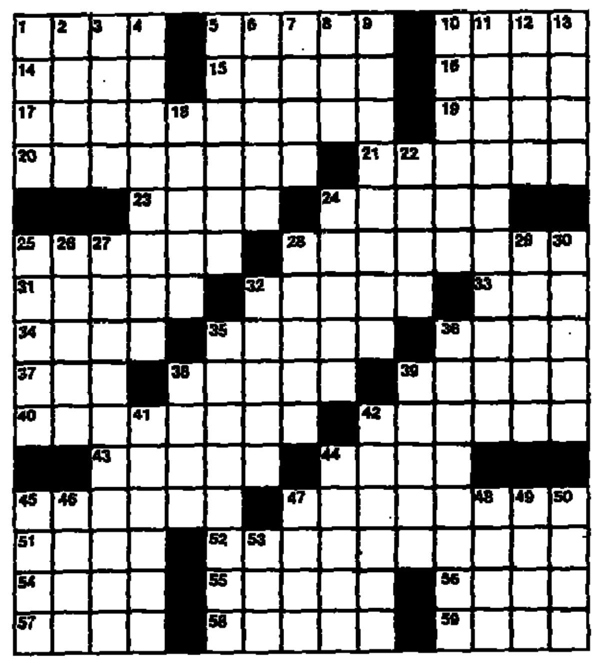
ROTHMANS INTERNATIONAL P.L.C.
(CDRs)

The undersigned announces that as from October 25, 1982 at Kas-Associatie N.V., Spuistraat 172, Amsterdam, div.cp.no. 19 of the CDRs Rothmans International P.L.C., each repr. 100 shares, will be payable with Dfls. 15.08 (re final dividend for the year ending 31.3.1982) 3.25 p. per share.
Tax credit £1.39279 = Dfls. 6.54 per CDR.
Non-residents of the United Kingdom can only claim this tax credit when the relevant tax treaty meets this facility.

AMSTERDAM DEPOSITARY COMPANY N.V.

Amsterdam, October 11, 1982.

CROSSWORD



ACROSS

1 Trim back
5 Certain fodder
10 Fit
14 Ponerology topic
15 Writer Pirandello
16 Connelly creation
17 Cuckoo's swift cousin
19 Explorer who discovered a mountain
20 Did some dock work
21 Smoothed
23 Truckers' outfits
24 Bear
25 —— as a ghost
28 White's B'way products
31 Scans
32 Ike's W.W. II headquarters
33 Summer sign
34 Hep
35 Deck units
36 Item touching Guidry's toe
37 Kind of tray
38 Mansard extensions
39 Irritate
40 Alluded (to)
42 Idas, to Castor
43 More aloof
44 Sobrinos' kin
45 Mine shafts
47 Abscissa's partner
51 Emulated Sheridan
52 Gamin
54 Agenda entry
55 Gung-ho
56 Soho street feature
57 Ivory Coast group
58 Authority
59 Sign that may stop a truck

DOWN

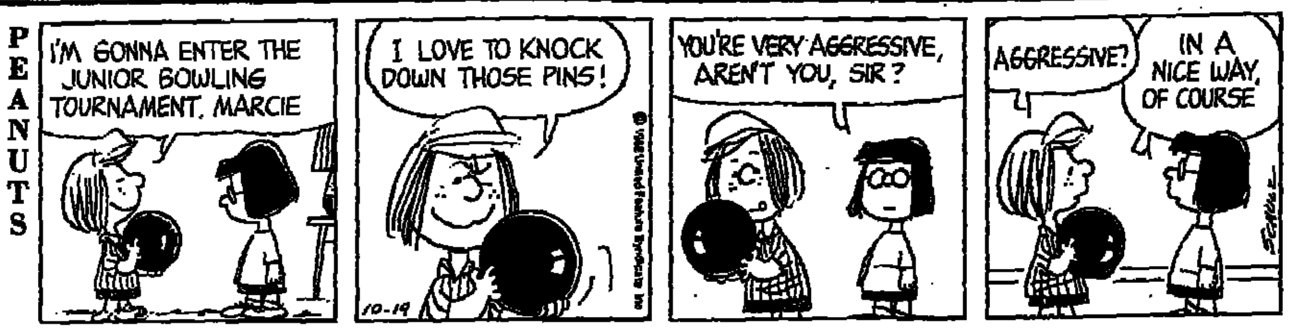
1 Cerro de Pasco site
2 British earldom
3 Money in Qum
4 Fabulously rich place
5 Dredge uptake
6 Harry Warren products
7 Marmalade ingredient
8 Years
9 Bugs' kin
10 Put with
11 Cul-de-sac
12 Superior, e.g.
13 Word with eagle or owl
18 Upbraids
22 Copter feature
24 Oodles
25 Like an injured pride
26 Import
27 Bumppo
28 Make confetti
29 Go
30 Staid
32 One whom bankers bank on
35 Actions by some who woo
36 Preyer on tropical fish
38 Storied canal
39 Pigtail feature
41 Skin malady
42 Star: Prefix
44 Poons, e.g.
45 Court paper
46 Tittle
47 Saturnalias
48 Calculable space
49 Bakery goodie
50 Refluxes
53 Chinese pagoda

WEATHER

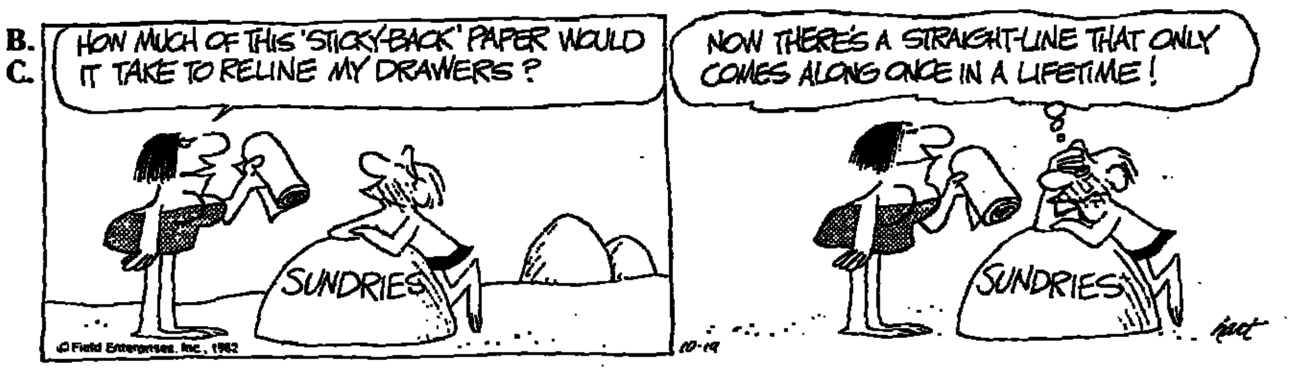
	HIGH C	HIGH F	LOW C	LOW F	
ALGARVE	19	66	16	61	Fair
ALGIERS	29	84	15	59	Cloudy
AMSTERDAM	18	64	9	48	Cloudy
ANKARA	15	59	5	41	Cloudy
ATHENS	24	75	13	55	Fair
AUCKLAND	15	59	7	45	Rain
BANGKOK	34	93	25	77	Cloudy
BEIRUT	—	—	—	—	N.A.
BELGRADE	19	66	9	48	Fair
BERLIN	16	61	8	46	Fair
BOSTON	15	59	4	39	Fair
BRUSSELS	16	61	11	52	Fair
BUCHAREST	17	63	4	39	Fair
BUDAPEST	16	61	5	41	Rain
BUENOS AIRES	22	72	8	46	Fair
CAIRO	27	81	21	70	Fair
CAPE TOWN	18	64	13	55	Fair
CASABLANCA	22	72	17	63	Cloudy
CHICAGO	21	70	9	48	Fair
COPENHAGEN	13	55	10	50	Rain
COSTA DEL SOL	23	73	16	61	Showers
DAMASCUS	24	75	11	52	Fair
DUBLIN	13	55	9	48	Overcast
EDINBURGH	13	55	10	50	Showers
FLORENCE	20	68	12	54	Overcast
FRANKFURT	14	57	6	43	Rain
GENEVA	13	55	9	48	Overcast
HARARE	18	64	16	61	Fair
HELSINKI	3	37	0	32	Overcast
HONG KONG	27	81	24	75	Overcast
HOUSTON	29	84	16	61	Cloudy
ISTANBUL	19	66	11	52	Fair
JERUSALEM	24	75	17	63	Cloudy
LAS PALMAS	26	79	20	68	Rain
LIMA	22	72	17	63	Overcast
LISBON	20	68	12	54	Showers
LONDON	15	59	10	50	Overcast
LOS ANGELES	25	77	16	61	Cloudy
MADRID	19	66	12	54	Cloudy
MANILA	27	81	21	70	Cloudy
MEXICO CITY	19	66	12	54	Fair
MIAMI	27	81	27	81	Cloudy
MILAN	12	54	10	50	Rain
MONTREAL	10	50	2	36	Cloudy
MOSCOW	8	46	3	37	Showers
MUNICH	18	64	5	41	Fair
NAIROBI	20	68	14	57	Rain
NASSAU	31	88	25	77	Cloudy
NEW DELHI	32	90	24	75	Fair
NEW YORK	15	59	5	41	Fair
NICE	18	64	13	55	Rain
OSLO	4	39	2	36	Overcast
PARIS	14	57	11	52	Overcast
PEKING	21	70	12	54	Fair
PRAGUE	18	64	6	43	Fair
REYKJAVIK	6	43	1	34	Showers
RIO DE JANEIRO	27	81	19	66	Cloudy
ROME	22	72	12	54	Overcast
SAO PAULO	21	70	16	61	Overcast
SEOUL	23	73	13	55	Overcast
SHANGHAI	26	79	18	64	Fair
SINGAPORE	29	84	25	77	Overcast
STOCKHOLM	6	43	0	32	Overcast
SYDNEY	18	64	10	50	Fair
TAIPEI	30	86	23	73	Overcast
TEL AVIV	29	84	21	70	Cloudy
TOKYO	21	70	11	52	Overcast
TUNIS	32	90	14	57	Fair
VENICE	16	61	11	52	Overcast
VIENNA	14	57	4	39	Fair
WARSAW	12	54	0	32	Fair
WASHINGTON	16	61	4	39	Fair
ZURICH	12	54	8	46	Overcast

Readings from the previous 24 hours.

PEANUTS

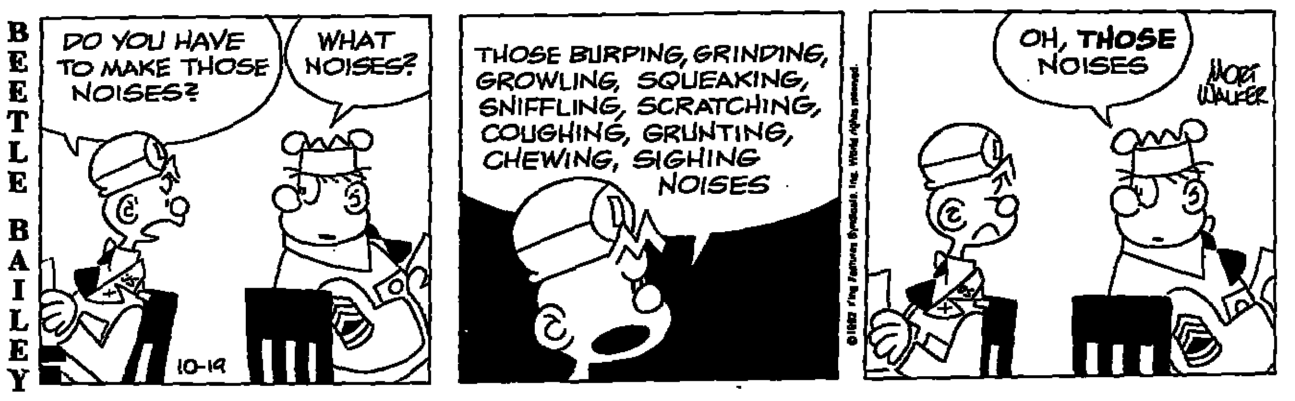


B.C.

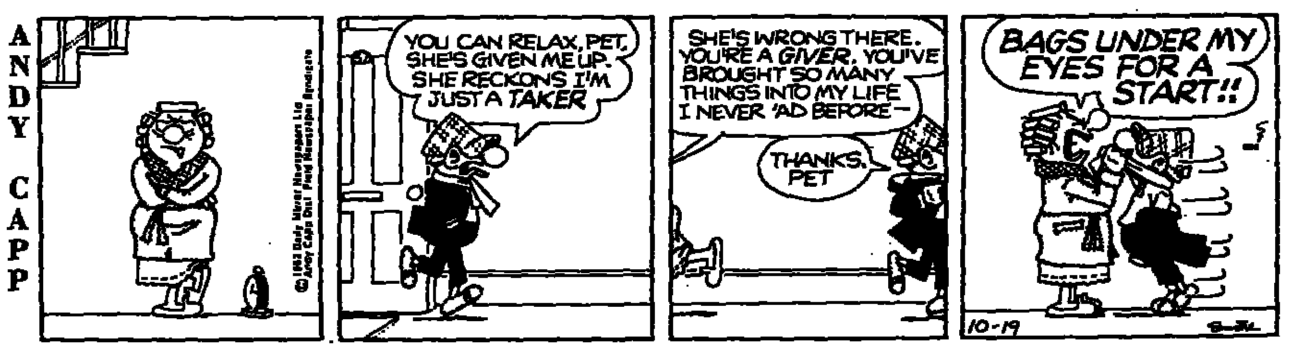


BLONDIE

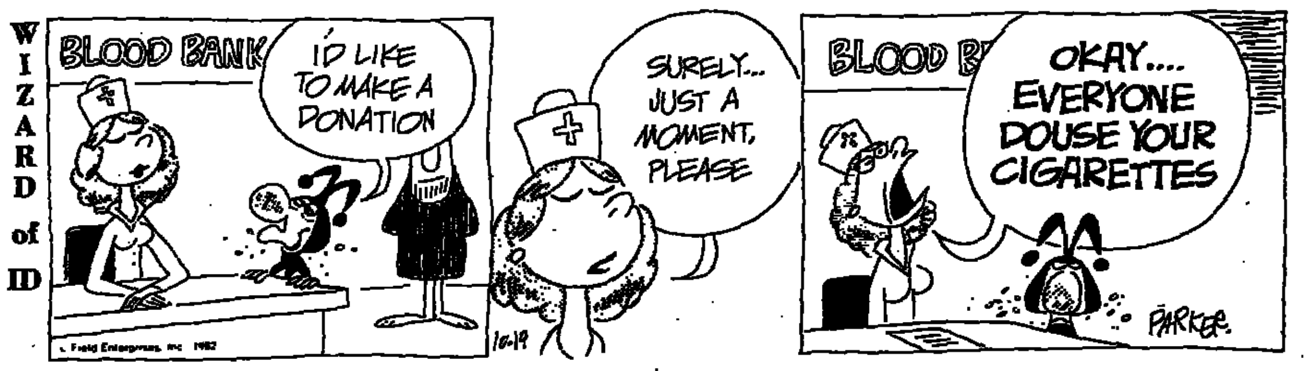
BEETLE BAILEY



ANDY CAPP

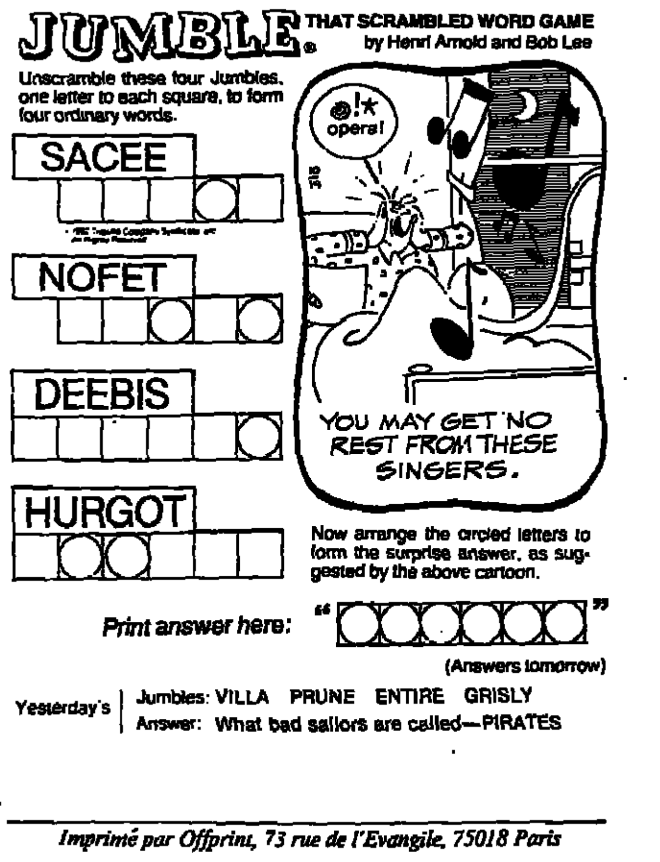


WIZARD of ID



REX MORGAN

DOONESBURY



Yesterday's | Jumbles: VILLA PRUNE ENTIRE GRISLY
Answer: What bad sailors are called—PIRATES

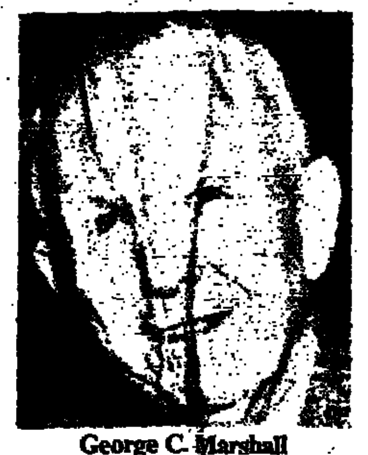
DENNIS THE MENACE

"WELL, IF GIRLS ARE SO SMART, HOW COME THEY WEAR DRESSES THAT ZIP UP THE BACK?"

BOOKS

MARSHALL: Hero for Our Times
By Leonard Mosley. 570 pp. Illustrated. $18.50. Hearst Publications, 959 Eighth Avenue, New York, N.Y. 10019.

By Herbert Mitgang



George C. Marshall

GEORGE C. MARSHALL — U.S. Army chief of staff, secretary of state, the Marshall of the Plan that helped Europe recover after World War II — was a historic figure who avoided the limelight in war and peace. He issued no public pronouncements, nor is he remembered particularly for his phrasemaking or speeches. Yet he was remarkably effective in his actions and in creating an aura of old-fashioned service, sang-froid and straightforwardness — all those rare virtues summed up in the word "character."

Fortunately, in "Marshall: Hero for Our Times," Leonard Mosley has unearthed the details of his public and private life, and written a readable and solid biography. Mosley, a war correspondent, military historian and biographer of Charles A. Lindbergh and John Foster Dulles and the du Pont of Delaware families, is well-equipped to tell the story of Marshall's career.

One of the book's values is that it isn't a simple valentine. By pointing out some of Marshall's mistakes in judgment along the road to greatness, the author shows Marshall to be a public servant who continued to grow in stature when he took on his heaviest tasks well into his 60s.

For after serving as chief of staff of the Army under President Franklin D. Roosevelt — when he called the signals in every theater of global war and not just on one battlefront — he sought neither fame nor political office, but retirement. President Harry Truman immediately enlisted his services again on a Mission Impossible — trying to bring the two irreconcilable factions, the Nationalists and Communists, *together* in China. And then, as secretary of state, he had to work out the design for the occupation of Germany, the peace treaty with Austria, the complexities of the Truman Doctrine in Greece and Turkey, the confrontations with the Soviet Union, the rebuilding of Europe out of the rubble.

Mosley is also a novelist and knows how to build a dramatic story. This one is ready-made for a running account of the rivalries within the U.S. military establishment and, specifically, between Marshall and Gen. Douglas A. MacArthur.

They had parallel careers. The reader may find himself cheering for Marshall to catch up in rank and fame with the more flamboyant MacArthur. They were lieutenants before World War I, they had distinguished records in the trenches of France, and they continued to climb the ladder in that gray time of camps and distant outposts between the world wars. MacArthur was always one step ahead — his mother lobbied effectively for him in Washington — and he got his general's star first. Because of some slights by Pershing's headquarters, MacArthur held Marshall accountable for his difficulties in Washington in later years. During the war, MacArthur fought off the other services so that he could run the Pacific Theater as his fiefdom and gain the glory by communiqué as well as by conquest.

And here is where Marshall showed that he could rise above personal rivalry. Recognizing MacArthur's virtues as well as flaws, he defended him, despite MacArthur's defiance; Marshall turned out to be the bigger man, the man without the ego — the man of character — engaged in the higher aim of winning the war. "Because MacArthur disliked, mistrusted and resented Marshall it should not be thought that his prejudices were reciprocated," Mosley writes. "They were not, and maybe that was the trouble."

And then came the showdown during the Korean War, when MacArthur, in one of his messages, in effect told the Chinese to forget about Washington and the United Nations and to talk peace directly with him. This was too much for Truman, who relieved MacArthur as supreme commander and stripped him of his other posts in the Far East. How did MacArthur react? "George Marshall pulled the trigger," he declared. This is the stuff of high drama, and Mosley tells it well.

There are many nuggets of information here: how from the beginning of his career Marshall kept a little black book of the talented young officers as well as those who did not deserve to command. Names such as Dwight D. Eisenhower and George S. Patton and Omar N. Bradley were starred in that book, and when they were jumped over the heads of higher ranks by the chief of staff, it was not a whimsical, but a studied, act. But we also read Mosley's judgment that Marshall got off too lightly for his neglectful role in the failure to communicate properly between the services before Pearl Harbor. And we learn how he handled Roosevelt and spoke his mind instead of fawning.

On the personal level, the book recounts Marshall's devotion to his beautiful first wife, who was an invalid and unable to bear children and, after her death, to his second wife, a widow, and to her children. There are poignant references to the time when Eisenhower, who owed much to Marshall, ran for president and, in a campaign speech, failed to defend Marshall after Sen. Joseph R. McCarthy had called Marshall "a traitor." Although Mrs. Marshall would not forgive Eisenhower, Marshall did, and congratulated him on his victory at the polls. Once again, Marshall could rise above a serious affront when he believed there were higher stakes for the country.

Mosley's biography helps to explain why Winston Churchill called Marshall "the organizer of victory," and why Roosevelt refused to accept his resignation at the beginning of the war when Marshall offered him the chance on the ground that he was too old. Lucky for the country that Roosevelt laughed and said no.

Herbert Mitgang is on the staff of The New York Times.

Solution to Previous Puzzle

```
LADD DRAM STEAM
ALOU POGO TELLA
WOODYWOODPECKER
SENDA FREEWHEEL
   EYRE ALLA
GAS DPS STROKES
ALBA ION DWELL
REUP CLEAR ERSE
BARON TIO DRIP
SKYCAPS ROB YET
    NICE DRED
INSINUATE ARRAS
DENNISTHEMENACE
ELITE HELM SKIT
ALTOS ELSE TEDS
```

CHESS

By Robert Byrne

HOW much is offered in a positional exchange sacrifice? Usually it will not be attempted unless one gets a pawn in addition to the minor piece for the rook, so the resulting material unbalance will be quite small.

Of far greater importance are the positional factors, particularly mobility: against the opponent's active rook, the sacrifice is doomed, but the offer may succeed if the position is open enough to permit the *minor piece* good play while there are not open files for the rook.

An excellent positional exchange sacrifice dominated the action in the game between Tigran Petrosian of the Soviet Union, a former world champion, and Genna Sosonko, a Dutch grandmaster, from the sixth round of the Interpolis International Tournament in Tilburg, The Netherlands.

Petrosian's unusual but reasonable 2 P-QN3 took the game away from well-trodden paths of analysis so that he might make use of his formidable positional judgment.

Perhaps it would have been wiser to forestall a later white queenside expansion by 11 . . . P-QR4. Instead, Sosonko preferred to attack with 11 . . . P-KN4.

Petrosian would not have been embarrassed by 14 . . . P-QN4?! because 15 N-R5, NxN; 16 PxN, R-R2; 17 Q-B5, QxQ; 18 RxQ would have let White develop pressure on the QB file.

Sosonko was never able to get the attack he wanted: after 19 O-O, for example, it would have been weak to play 19 . . . P-B5?; 20 P-K4, P-B6; 21 PxN, PxB; 22 QxKP because Black would have had his hands full defending his KP and QBP.

The subtle 22 B-B1! threatened a decisive attack on the KP by 23 P-K4!, PxP; 24 RxP and thus necessitated the hangdog 22 . . . N-B2.

Petrosian's 24 Q-B5! could not well have been answered by 24 . . . KR-K1; 25 N-B4, QxQ; 26 PxQ because the white knight would have gotten a powerful outpost at Q6 while the backward black QNP became woefully weak. After 24 . . . QxQ; 25 RxQ, N-K3, however, Petrosian produced the potent exchange sacrifice 26 RxKP!, BxR; 27 BxBch, taking advantage of the disharmonious black position.

SOSONKO/BLACK

PETROSIAN/WHITE

Position after 25 . . . N-K3

His 29 N-B4 threatened 30 N-Q6, followed by 31 B-Q4! To escape such a crushing bind, Sosonko permitted his QBP to become backward by 29 . . . P-N4.

Petrosian was in no hurry to win a pawn with 35 RxP because Sosonko would have had counterplay after 35 . . . B-Q4; 36 R-B7, R-B2; 37 N-B5, RxR; 38 BxR, B-B5.

Of course, 36 . . . B-Q4 lost a pawn to 37 BxBP, but so would 36 . . . KR-B1; 37 R-B5. After Petrosian's 40 P-K4 forced the win of another pawn, Sosonko had no chance for a rescue.

After 45 BxP, with no recourse against Petrosian's material superiority, Sosonko gave up.

ENGLISH OPENING

White Petrosian	Black Sosonko	White Petrosian	Black Sosonko
1 P-QB4	P-K4	24 Q-B5	QxQ
2 P-QN3	N-KB3	25 RxQ	N-K3
3 B-N2	N-B3	26 RxKP	BxR
4 P-K3	B-K2	27 BxBch	K-N2
5 P-QR3	O-O	28 P-Q4	B-K1
6 Q-B2	P-Q4	29 N-B4	P-N4
7 PxP	NxP	30 N-Q6	B-Q2
8 N-KB3	B-B3	31 R-B1	N-N4
9 P-Q3	P-KN3	32 N-N7	R-B1
10 QN-Q2	B-N2	33 B-Q3	R-K1
11 R-B1	P-KN4	34 K-B1	B-K3
12 N-B4	Q-K2	35 B-KB4	N-B2
13 P-QN4	P-QR3	36 K-K2	B-Q4
14 KN-Q2	P-B4	37 BxBP	N-K4
15 B-K2	P-N5	38 BxN	RxB
16 N-N3	K-R1	39 N-Q6	R/4-B1
17 N/4-R5	NxN	40 P-K4	B-B3
18 NxN	Q-B2	41 NxB	PxN
19 O-O	P-B5	42 RxP	P-QR4
20 N-B4	Q-K2	43 B-Q6	KR-K1
21 KR-K1	B-Q2	44 P-R5	PxP
22 B-B1	N-B2	45 BxP	Resigns
23 N-N6	QR-Q1		

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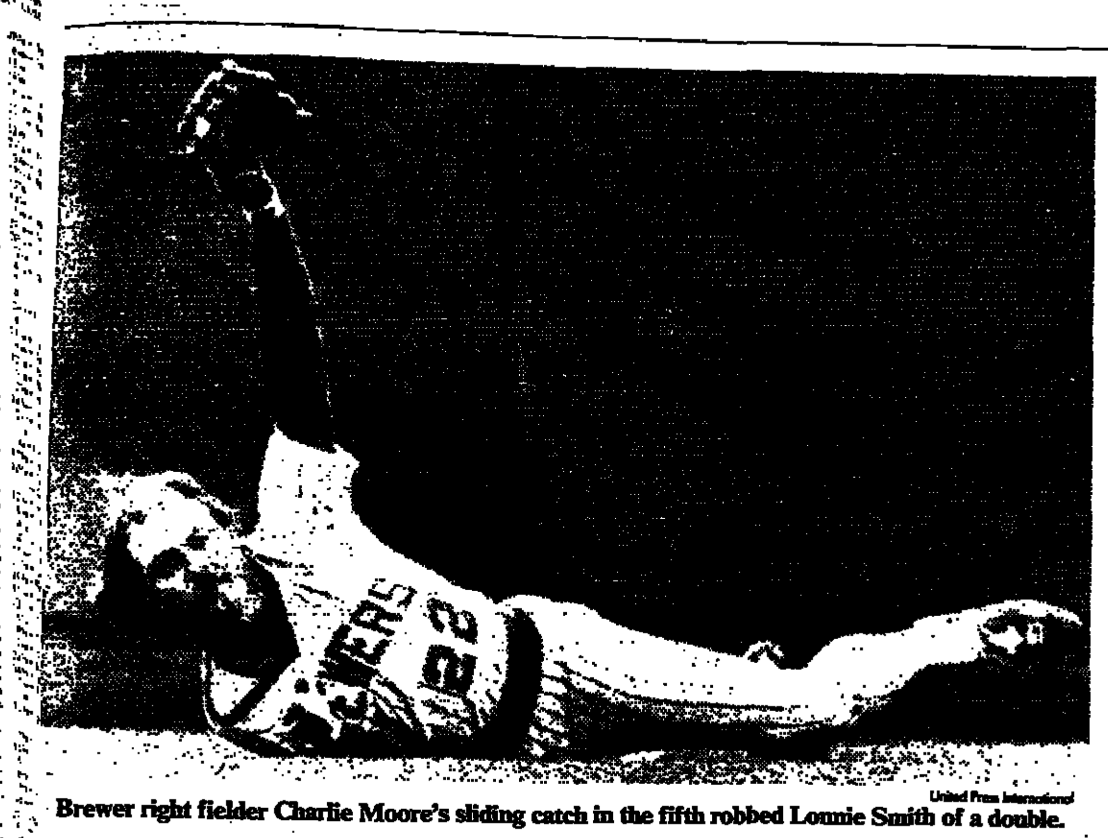
SPORTS



United Press International

Brewer right fielder Charlie Moore's sliding catch in the fifth robbed Lonnie Smith of a double.

Brewers Take 3-2 Series Lead to St. Louis

By Thomas Boswell
Washington Post Service

MILWAUKEE — By now, St. Louis has to be convinced. After losing Sunday's fifth game of the World Series to Milwaukee, 6-4, to fall behind three games to two, the Cardinals have seen enough of the Brewers to get the general idea.

Here the Cardinals were led to believe that they would be playing the champions of the American League — the patsy circuit — and what do they get? A kind of hybrid gang of National League spleen-crushers.

Power everywhere. More speed than advertised. Defense to beat the band. Play hurt, never quit. Eat adversity, yawn when you've got 'em down. Throw at their heads, slide in their faces, spit in their eyes — and never apologize. Thump 'em any way you have to, even if the greatest relief pitcher in history is hurt, even if two-thirds of your outfield is injured, even if your starters look frazzled, even if your good ole manager barely seems to know what inning it is.

Best team in baseball. One game away from winning its first World Series. Better get out of the way before something ugly happens.

When a team that hits 216 home runs in the regular season comes from behind to take charge of a Series, as the Brewers have done, without hitting many home runs, it's unnerving. When the Brewers beat you with their gloves, as they did Sunday, it's worry time.

On Saturday, when they led, 5-1, in the seventh inning of Game 4, the Cardinals — on the verge of a three-games-to-one lead — were ready to measure themselves for world championship rings.

Now, after watching Robin Yount get four more hits, watching Mike Caldwell survive for 8⅔ innings on a day when he had nothing and allowed 14 hits, seeing Bruce Sutter give up what proved to be the two winning runs and seeing the Brewers make a half-dozen brilliant defensive robberies, the Cardinals know better.

Make no mistake, the Cards are worried — from Manager Whitey Herzog, who is already talking in postmortem tones, to solemn veterans who know from experience when a good thing has gone bad.

"If we should be fortunate enough to win the sixth game, . . ." began Herzog, in the manner of a fellow who doesn't want to annoy an extremely large person.

Herzog and the rest of the Busch Bunch are going home. On Tuesday, it's to be 258-game winner Don Sutton against their nine-game career winner John Stuper. Make your own jokes.

The Brewers have the wind behind them now. Every time they look around, somebody from the Hall of Fame is lurking around their locker room asking one of them for a bat to enshrine. Sunday evening, it was Yount for being the first man in 79 editions to have two four-hit games in the same World Series. He now has 11 hits, one off the record for most hits in a six-game Series and two away from the record, held by Bobby Richardson and Lou Brock, of 13 in a seven-game Series.

At the end of Game 5, as a cast of 56,562 stormed the field, Yount was brought back out of the dugout for a curtain call by the chants of "MVP! MVP!" On a raw and blustery day, Yount had been at the center of almost all the Brewers' mischief making.

He hit a first-inning shot off the foot of pitcher Bob Forsch and scored when Ted Simmons chopped to first. A couple of innings later, Yount's double was instrumental in the Brewers' scoring another run. Finally, when the Cards closed to 3-2 in the seventh, there was Yount again to make a dramatic point. How? With a home run: Into a gale-force wind, a flick of the wrists produced an opposite-field bullet to the bleachers in right.

Yount did it with the glove, too. But then, so did almost every Brewer. Charlie Moore slid across the grass in right to rob Lonnie Smith of a double. Paul Molitor leaped high at third, stomped on the bag, then fired to first for a double play. Cecil Cooper made a diving stop of a shot to his right and then threw from his knees to Caldwell covering to end a rally in the seventh. Yount roamed behind second, ignored a terrible hop and took a hit away from Smith. Jim Gantner dove behind second to keep another ball in the infield and keep another run from scoring.

"Against a mediocre defensive team, we'd have had 20 hits today and I don't know how many runs," said Keith Hernandez, who had three of St. Louis' futile 15 hits.

"I'm so glad that a national TV audience could see us kill somebody with leather," said Brewer General Manager Harry Dalton, shaking his head at the very idea that "people think we're just a crunch-and-run club."

The Brewers could hardly have captured Game 5 with more authority. They scored the first time they got to bat as Simmons's groundout scored Yount. When the Cardinals tied matters, 1-1, on a triple by David Green and a double by Hernandez, the Brewers responded with a go-ahead run in their next time at the plate, this time on a Cooper groundout that plated Molitor.

The Brewers, just like the textbook says, nudged that margin to 3-1 with a double by Moore and single by Molitor in the fifth. And when the Cards made scary noises with an RBI single from silent George Hendrick in the seventh, Yount hit his emphatic homer.

In fact, when the Brewers beat on Sutter in the eighth for two insurance runs with three smoking singles to center, plus a walk, their 6-2 lead entering the ninth looked like overkill.

But the Cardinals actually got to bring the go-ahead run to the plate in the ninth.

Now, only those whose sensitivities are ground to dust would say that a one-legged manager who has had heart and stomach surgery could make a sequence of colossal mistakes that almost lost a pivotal Series game for his team.

So let's not say it. Let's pretend that there was nothing unusual in leaving Caldwell on the mound in the final inning as, with one out, Green doubled, Hernandez doubled and Hendrick singled. Let's pretend that anyone might leave in a pitcher who has given up 14 hits and has let the tying run get to the plate.

Let's pretend that every Milwaukee heart didn't jump into every Milwaukee throat when Darrell Porter lined reliever Bob McClure's first pitch to right for yet another hit — go-ahead run now at the plate and tying run on first.

And let's not dwell on the good fortune needed for McClure to strike out Willie McGee and get Gene Tenace to fly out to end the game.

"About two inches farther up on the bat, away from the label," said Tenace, "and that ball is way out of the park." But it wasn't. So now the Brewers are measuring fingers. The Cards are measuring boxes.

Game 5

ST. LOUIS	ab r h bi	MILWAUKEE	ab r h bi
LSmith dh	5 0 2 0	Molitor 3b	4 1 1 1
Green lf	5 2 2 0	Yount ss	4 2 4 1
Hrndz 1b	4 1 3 2	Cooper 1b	4 0 1 1
Hendrck rf	5 0 3 2	Simmons c	3 0 0 1
Porter c	5 0 1 0	Oglivie lf	4 1 2 0
a-Rmsy pr	0 0 0 0	Thomas cf	4 0 0 0
McGee cf	5 0 1 0	Money dh	3 1 0 0
Oberkfl 3b	4 0 3 0	Moore rf	4 1 2 1
b-Tnce ph	1 0 0 0	Gantnr 2b	4 0 1 1
Herr 2b	4 0 0 0		
OSmith ss	3 1 0 0		
Total	41 4 15 4	Total	34 6 11 6

a-ran for Porter in the 9th.
b-flied out to left for Oberkfell in the 9th.

St. Louis	001	000	102	— 4
Milwaukee	101	010	12x	— 6

E—Forsch, Gantner, Herr. DP—St. Louis 2, Milwaukee 1. LOB—St. Louis 12, Milwaukee 7. 2B—Hernandez 2, Yount, Moore, Green. 3B—Green. HR—Yount (1). SB—LSmith.

	IP	H	R	ER	BB	SO
St. Louis						
Forsch (L) 0-2	7	8	4	3	2	3
Sutter	1	3	2	2	1	2
Milwaukee						
Caldwell (W) 2-0	8 1-3	14	4	4	2	3
McClure S.2	2-3	1	0	0	0	1

T—3:02. A—56,562.

Kuenn, Torre and an Ideal Marriage

New York Times Service

MILWAUKEE — In the tumult of Wisconsin Avenue last week, where horn-honking celebrations followed Brewer victories in Games 1, 4 and 5 of the World Series, car after car was plastered with bumper stickers proclaiming "Harvey Kuenn For President."

WORLD SERIES NOTES

The Brewer manager, a native of Milwaukee and a survivor of three life-threatening illnesses, has become increasingly popular in this blue-collar town as the team he took over in June overcame a series of hardships to reach the Series. Kuenn's status for next year is yet to be determined.

"We've had the good fortune of having two likable, popular human beings manage this club," said the team's vice president and general manager, Harry Dalton.

Dalton was referring to George Bamberger, currently the New York Mets' manager, and to Kuenn, who succeeded the less-popular Buck Rodgers.

"Bambi was a symbol of a whole new generation of hope. He took this team over .500 for the first time. Harvey's not quite as outgoing, but he has the advantage of being a native. He's an institution with the club and the community."

As for when and how a decision on Kuenn's future will be made, Dalton was unwilling to interrupt Sunday's celebratory mood with speculation

"Sometime after this is all over, the dust has settled and we've all come back to earth," Dalton said. "I don't think either one of us has any idea when we'll come back to the real world."

Joe Torre didn't make it to the World Series, because his Atlanta Braves lost the National League playoff to the St. Louis Cardinals. But his family did make it, and so did the Braves.

The ceremonial first ball for Sunday's Game 5 was thrown out by Joe's brother, Frank, in a salute to Milwaukee baseball of a quarter century ago.

The Milwaukee Braves made the Series against the Yankees in 1957 and 1958, and Frank Torre was a first baseman on those Milwaukee teams.

The Braves later moved to Atlanta, much to the resentment of the fans hereabouts. But they were replaced by the Brewers, who brought the American League to town. So Frank Torre tied up the loose ends of Milwaukee baseball history by throwing out a first ball in the Brewers' first World Series here.

When Phil Bozich and Cindy Keskey were married Sunday morning at St. Alphonsus Church in Greendale, Wisconsin, he said they were taking a surprise trip. She thought maybe Bermuda, maybe St. Martin, maybe Mexico.

Instead, the bridegroom escorted the bride to County Stadium, he in his tuxedo, she in her white gown. He didn't have any tickets, but he knew "somebody" who would let them in.

They created quite a stir, looking as if they had just climbed off a wedding cake, strolling through the crowded aisles of a World Series game, followed by television cameras, reporters and fans.

Bozich, a food broker, said he "wanted to give her something she'd never forget for a wedding present." His bride, a self-described "bartendress," said: "He comes up with some pretty strange presents." Two friends lent them seats behind first base, and they cheered the Brewers until the end. Then they went on their honeymoon. Where to?

Said she: "We're just driving through Wisconsin."

Said he: "Who knows? Maybe we'll wind up in St. Louis."

The Associated Press

Brewer pitcher Mike Caldwell, unsuccessfully trying to complete a double play in Sunday's seventh inning, collided at first base with Cardinal runner Keith Hernandez. But Caldwell covered first for the final out of the inning, ending a St. Louis threat.

Racetracks NFL Strike Beneficiaries

By Bill Christine
Los Angeles Times Service

LOS ANGELES — Tom Rivera, director of marketing for Arlington Park in suburban Chicago, might just as well have been speaking for the entire industry. "I wish the football players would stay on strike all year," he said.

Since the National Football League players walked out last month, business at race tracks open on Sundays has shown increases ranging from 17 percent to 9 percent. Several track operators, anticipating that gamblers, who usually bet illegally on NFL games would turn their attention to legal wagering on horses, predicted an increase as the strike started, but facts have have exceeded the forecasts.

On Sept. 19, the last Sunday the NFL played, 13 tracks totaled 108,288 in attendance and $14,785,976 in handle. The following Sunday, the same 13 tracks showed an 11.9 percent increase in attendance, to 122,982, and betting was up 10.1 percent, to $16,464,747.

The following Sunday, the racing increases were more dramatic. Attendance rose 19.3 percent and wagering increased 17 percent.

At Off Track Betting in New York City, where betting is conducted on races at Belmont Park, the handle on the strike's third Sunday was $3.2 million, an increase of about $500,000 over the Sunday of two weeks previous. There's gravy all over the place.

At Belmont that Sunday, the attendance was 25,000, a jump of 5,000 more than Sept. 19, and the handle increased more than $600,000. Jerry McKeon, president of the New York Racing Association, which operates Belmont, had expected Sunday increases in the $500,000 range.

The first Sunday of the Oak Tree meeting at Santa Anita in Arcadia, Calif., accounted for a crowd of 46,000 and handle of $6.1 million. The attendance was the second largest in Oak Tree's 14-year history and the handle was almost $1 million more than the comparable Sunday from 1981.

Football gamblers still have the college games to bet on, of course, but their Sundays have been mostly empty, except for small schools that switched their game to Sundays for television.

Even small tracks, some of which have been struggling most of the year, have shown increases. Waterford Park, which canceled its West Virginia Derby this summer because of economic conditions, drew 2,333 fans on a recent Sunday and they bet $267,765. Small potatoes compared to Santa Anita, but at Waterford those figures represent respective increases of 24.7 percent and 28.7 percent more than Sept. 19.

Another West Virginia track, Charles Town, showed a Sunday handle of $621,301 — "only our third $600,000 day all year," said a track spokesman.

On Sept. 19, Arlington Park drew 7,705 fans who bet $1.1 million. On Sept. 26, the first Sunday of the football strike, the totals were 14,608 and $1.7 million.

The Meadowlands, in New Jersey, does not run on Sundays, but has always considered ABC football telecasts as its main competition on Monday nights during the NFL season. On Sept. 27, the Meadowlands showed increases of 7 percent in attendance and 6.5 percent in handle over the last Monday the track went head-to-head with a televised NFL game.

SPORTS BRIEFS

Racing Teams Agree to FISA Changes

PARIS — Grand prix racing teams surprisingly have agreed to drastic rules changes ordered for 1983 to reduce speeds and increase the safety of drivers, track officials and the public, it was learned Monday.

The International Auto Sports Federation last week voted major aerodynamic changes. The teams said it was impossible to design and build new cars in time for 1983 season. But spokesmen for the Williams and Brabham teams confirmed Monday that in a meeting late last week all the teams agreed to accept the new rules, and even said they could be ready for the first 1983 race, the South African Grand Prix in February, rather than the first European race in April as FISA had ordered.

The FISA move, backed by drivers demanding slower and safer cars and by various tracks' refusal to continue spending money on modifications, apparently convinced the teams to agree to the changes.

Brabham designer Gordon Murray said he expected the new cars would have about the same straight-ahead speed as existing models but "certainly will be far slower in the corners." Derek Daly, who drove for the 1982 Williams team, said the new cars should prove to be "much more spectacular and much more fun to drive because they will slide much more."

60 Countries Invited to Soviet Games

MOSCOW — Athletes in at least 60 countries — up to 1,000 competitors in all — will be invited to the 1983 Spartacade Games July 16 to Aug. 6 in Moscow, Tass reported Sunday.

The Tass report did not specify the number of athletes coming from each country. Soviet sources have said, however, that a contingent from the United States and other countries that boycotted the Moscow Olympics will be invited. The countries boycotted the 1980 Summer Games to protest the Soviet military intervention in Afghanistan.

The Soviet games are held every four years to help the Soviet Union prepare for the Olympics. Medals will be awarded in 32 sports, with table tennis and synchronized swimming included for the first time.

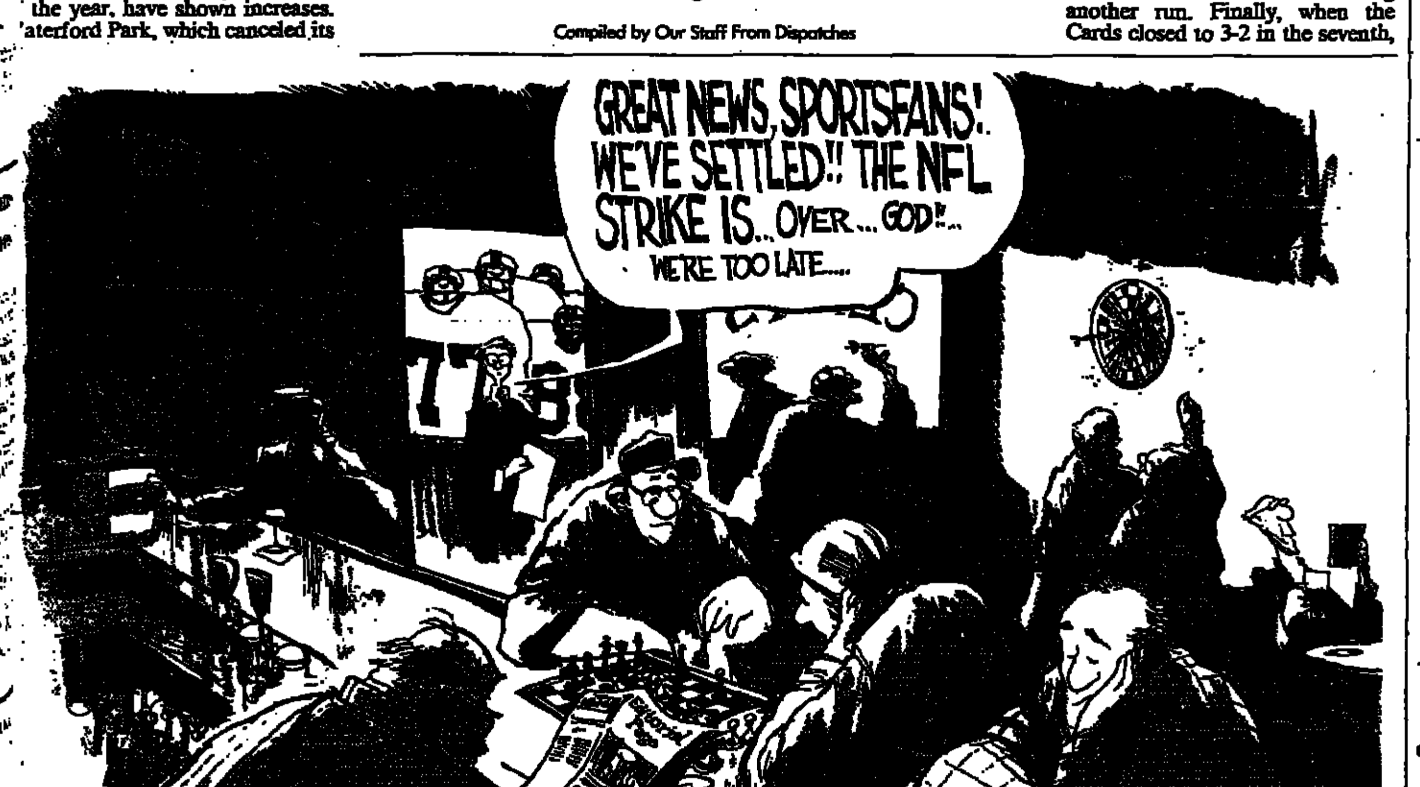
Evert Defeats Jaeger in 3 Sets

PALM HARBOR, Florida — Top-seeded Chris Evert-Lloyd held off Andrea Jaeger, 3-6, 6-1, 6-4, in Sunday's final of a professional tennis tournmanet here.

In the final set, trailing 3-5 and 15-40 on Evert's serve, Jaeger dug in to fight off two match points and win the game. That took her to 4-5 with a chance to square matters on her serve. But she made four straight errors as Evert applied pressure by keeping the ball deep and well placed for the victory.

"I don't know if you could call it 'fun,' but it was satisfying," Evert said of her 27th consecutive winning match.

Compiled by Our Staff From Dispatches



Transactions

BASKETBALL
National Basketball Association

DALLAS—Released Norm Anchrum, Terry ...ts and Mickey Dillard.

DENVER—Placed Roylin Bond and Eddie Moss, guard, on waivers.

DETROIT—Placed Ron Lee, guard, on waivers.

SEATTLE—Cut Steve Burks, guard, and Allen Rayhorn, forward.

UTAH—Cut Carl Nicks, guard.

HOCKEY
National Hockey League

ST. LOUIS—Sent Mike Zuke, Pat Hickey forwards and Jim Pavese, defenseman, to Salt Lake City, of the Central Hockey League, on a loan basis.

CFL Standings

EASTERN DIVISION	W	L	T	PF	PA	Pts
...onto	7	6	1	357	376	15
...milton	6	6	1	326	344	13
...awa	3	10	0	286	389	6
...ntreal	2	11	0	199	411	4
WESTERN DIVISION						
...nipeg	11	3	0	406	295	22
...gary	8	5	1	359	379	17
...monton	8	5	0	451	273	16
...tsh Clmb	8	5	0	376	314	16
...katchwn	5	7	1	344	329	11

Sunday's Results
Winnipeg 29, Toronto 16
Calgary 55, Hamilton 48

NBA Exhibition Games

Sunday's Results
Washington 104, Cleveland 95
Denver 134, Kansas City 128
Milwaukee 99, New York 93
Portland 114, Phoenix 112

NHL Standings

WALES CONFERENCE — Patrick Division	W	L	T	GF	GA	Pts
NY Islanders	5	1	0	29	14	10
Philadelphia	5	1	0	29	21	10
New Jersey	2	1	3	22	22	7
Washington	2	3	0	18	25	4
NY Rangers	2	5	0	24	31	4
Pittsburgh	1	4	1	19	31	3
Adams Division						
Montreal	5	1	0	31	18	10
Boston	3	1	2	20	21	8
Quebec	2	3	1	27	29	5
Buffalo	2	3	1	29	26	5
Hartford	1	2	2	19	20	4
Campbell Conference — Norris Division						
Minnesota	4	0	1	28	16	9
Chicago	4	1	1	29	25	9
St. Louis	3	3	0	20	20	6
Toronto	0	4	2	17	25	2
Detroit	0	5	1	12	31	1
Smythe Division						
Los Angeles	3	1	2	21	18	8
Winnipeg	3	2	1	30	20	7
Edmonton	2	3	2	35	39	6
Calgary	2	4	1	34	36	5
Vancouver	1	4	1	18	22	3

Sunday's Results

Buffalo 6, Edmonton 4 (Housley (2), Perreault (4), Andreychuk (5), Foligno (2), Cyr (2). McKegney (4); Gretzky (6), Linesman (2), Lumley (1), Hunter (5)).

Los Angeles 5, N.Y. Rangers 3 (Nicholls 2 (7), Taylor (2), Nechaev (1), Simmer (4); Don Maloney (2), Dave Maloney (1), Fotiu (1)).

Calgary 5, Winnipeg 5 (Peplinski (2), McDonald (7), Nilsson (3), Risebrough (5), Reinhart (1); Boller (3), Dupont (1), DeBlois (2), Small (1), Lindstrom (5)).

Chicago 6, Detroit 4 (Savard (3), Secord (4), B.Murray (1), Preston 2 (4), Marsh (1); Woods (1), Huber 2 (2), Barrett (1)).

ART BUCHWALD

Quizzing the President

WASHINGTON —"Okay, Sir, here is your quiz for the next stop. The people are mad as hell out there because they have an 18-percent unemployment rate. Where does your heart go?"

"Out to them. As long as one person in this country is jobless I will not be satisfied."

"Good. Who is to blame for the high unemployment rate?"

"There is enough blame to go around for everybody. But we are at least doing something about it, unlike those big spenders in Congress who got us into this mess in the first place."

"Where is the recession?"

"It's bottomed out and we are recovery-bound, thanks to lower interest rates, lower inflation and confidence by the people on Wall Street who are willing to back our programs by investing in the great American free enterprise system."

"What must we avoid to get people back to work again?"

"A quick fix, which may temporarily put people back to work, but will never solve the severe economic problems that I inherited from an irresponsible opposition party that has been on a drunken spending binge for four decades."

"Why did they spend this money?"

"Because it wasn't theirs. It was the American taxpayers'."

"And how can we achieve the American dream?"

"By staying the course which I have set, and by passing a constitutional admendment guaranteeing a balanced budget, which will permit us to live within our means."

"Who is preventing us from having a balanced budget?"

"A small group of selfish men in Congress who are willing to sell our birthright to satisfy the greedy pressure groups who feel the federal government must solve all their problems."

"What will put people back to work?"

"My tax program, which encourages business to invest in new plants, expand production and give the consumer more money in his pocket to spend on goods."

"What have you done to address the double-digit unemployment rate?"

"I have just signed a job-training bill which will make it possible for a million people to learn new trades and skills to prepare them for the prosperity which is just over the horizon."

"What will they have to do until they find a job?"

"Show patience and forebearance. I can't turn around overnight what the opposition has done in the past 40 years to put the country in the shape it is in today."

"How much of the unemployment in the country are you willing to take the blame for?"

"When I came into office it was 7.5 percent. Now it's 10.1 percent. I'm willing to take the blame for 2.6 percent of it. Can I read a letter from a 9-year-old boy in Madison, Wisconsin?"

"Sure, go ahead."

" 'Dear Mr. President,

" 'My father doesn't have a job and neither does my mother. But I am not one of those who marches to the drumbeat of doom and gloom. I know it isn't your fault that the dark cloud of unemployment lies over the land. Please don't let Congress spend any more money on wasteful programs that will only return us to big spending and big taxing and double-digit inflation which has caused the pounding economic hangover America is now suffering.

" 'Signed, Donny Schmiddlapp' "

"And what do you say to Donny?"

"I say, Donny, I hear you. I only wish you were old enough to vote."

"Well, that takes care of the unemployment issue. One more question and then we'll let you take a nap. What didn't you come to Washington to play?"

"Party politics as usual. And most of all I did not come here to further mortgage the future of the American people just to buy a short-term political popularity, by sweeping our problems under the table."

Tourism Off in Switzerland

United Press International

BERN — Switzerland's tourism industry registered a seven percent drop this past summer as a result of the general recession. The Federal Statistics Bureau said there were 7.5 percent fewer foreign vacationers compared with summer last year and 6.5 percent fewer Swiss holidaying in their own country.

Judy Griesedick, The Hartford Courant

While most "recumbent' bicycles are one-person affairs, a five-personpower version was tested at Bedford, Mass.

Bicycles: The Future Lying Down?

By Allan Parachini
Los Angeles Times Service

LOS ANGELES — When Paul MacCready designed the Gossamer Albatross, which became, in 1979, the first human-powered aircraft to cross the English Channel, a lot of people said he was crazy, a dreamer.

When MacCready and AeroVironment Inc., the company he founded and runs, put aloft the first solar-powered airplane — the Gossamer Penguin — a year later, many of the same people started calling him a visionary.

Here was that same MacCready, wearing a floppy pseudo-safari hat, leaning against a parking lot fence at the Orange County International Raceway. To a small audience he was fantasizing about his latest project — the bicycle of tomorrow.

It is a goal shared by many small entrepreneurs, tinkerers and craftsmen — primarily in California and a couple of other states.

MacCready will not say a great deal specific about his own project, but from what he will say and what could be learned, one can assume that the vehicle:

- Has three wheels and is powered primarily by pedaling. People in normal physical shape would be able to propel it at 30 or 35 miles an hour on the level.
- Has a fairing — an aerodynamic body — surrounding the rider. The fairing may be made of space-age plastics called Nomex or Kevlar, ounce for ounce stronger than steel and commonly used in bulletproof vests.
- Probably has provisions for auxiliary electrical power to help it climb hills. The system includes a one-pound motor fed by six pounds of batteries.
- Weighs somewhere between 30 and 45 pounds.
- If it goes into mass production, will cost about $500.
- Is nowhere near complete, even as a prototype. Because of that, MacCready is afraid a public debut will permit some large bicycle company to steal his idea.

What attracted MacCready's attention in the drag strip parking lot was a group of vehicles that together are at the cutting edge of a new evolutionary form of the bike. Most of them have two wheels but some have three. They have chains and derailleurs and gear-shifting levers. Most of the running gear has been available in the neighborhood bike shop for more than a decade.

The rider lies back, with the feet pushing on the pedals almost horizontally; thus the bikes' generic name: recumbent. They have names like Easy Racer, Aerocoupe, Infinity, Avatar and NYAB, an acronym that means: "Not Your Average Bike."

They are not prototypes, but production models — selling for about $700 to as much as $4,700. The average cost is $800, compared with the average bike price of less than $200.

This is a cottage industry. The owners of the companies that make the recumbents generally know each other.

But they all know that the manufacturing titans of the bicycle world are watching carefully.

While neither Schwinn nor Huffy, the two major names in the U.S. industry, currently plans a recumbent, both firms admit they have quietly gone to bike shops and bought models for analysis in their research and development laboratories.

And if the new machines start to make any significant dent in the market, Schwinn, Huffy and, presumably, their major competitors in Europe and Japan, will pounce into the void, spokesmen for the U.S. firms agreed.

Six production recumbents were on display at the annual competition of the International Human Powered Vehicle Association, a group founded eight years ago to promote advances in bicycle engineering. The members of this new, possibly interim, generation of bikes are noticeably longer and sit far closer to the ground than the conventional vehicle. The recumbent, with two wheels or three, is so low that safety in traffic will rely on flags or even strobe lights attached at the eye level of motorists.

The recumbent riding position requires the use of somewhat different muscles than pedaling a regular bike. A long-time bike rider piloting several of the new vehicles for the first time feels the experience primarily as a tightening of the thighs.

The new recumbents are no better at climbing hills, by most accounts, but once a rider gets used to them, they are described almost universally as more comfortable than existing bicycles and easier to accelerate and keep at cruising speed in traffic.

Allan Abbott, organizer of a recent "practical vehicle" competition, said he isn't so sure that what is happening now is more than novelty fascination.

"It's going to be difficult for any of these machines to overtake the standard bicycle," Abbott said. "The bike has been developed over 70 years and you are not going to suddenly replace it. It would be like trying to replace the piston engine. I expect that what we'll see on the street 10 years from now will still be conventional bicycles, mostly. If there is a future in recumbent bikes, I think it'll be in the two-wheelers. The tricycles are just too dangerous in traffic."

Judy Griesedick, The Hartford Courant

Another view of test bike with three of its "engines" idling.

PEOPLE

Royal Family (cont.)

Britain's royal family seems unable to keep out of the news. Diana, Princess of Wales and Prince Charles had their first royal fight, several newspapers said. Diana allegedly "blew her top" over staying at Queen Elizabeth's private Scottish estate, Balmoral, and insisted on going home. Diana grew "bored to tears" after days of incessant rain, several accounts said. She and Charles "had a heated row," one newspaper said." All Buckingham Palace would say was that Charles and Diana, with their 4-month-old son, Prince William, returned to their London home Sunday. Princess Anne drew the wrath of anti-apartheid campaigners and some opposition politicians with her plan for a brief stopover in South Africa. Buckingham Palace said that Anne's 60-minute Johannesburg call had been arranged with "Foreign Office advice." The Foreign Office said too much was being made of very little. Anne, chairman of the Save the Children Fund, is to tour southern Africa on the fund's behalf. In Johannesburg, palace spokesmen said, Anne asked to meet South African officials of the Save the Children Fund. "Extremely stupid," said Robert Hughes, a Labor member of Parliament and chairman of the Anti-Apartheid Movement. He said the princess was "playing South Africa's game." Only the Sun repeated an American report of Prince Andrew's alleged antics during his Caribbean vacation on Mustique. It summarized journalist Elizabeth Salamon's account of Andrew, 22, actress Kathleen (Koo) Stark and others removing their bathing suits, or having them removed, at a poolside frolic. Andrew flew back to Britain ahead of schedule last week. Stark went to Florida. Most British newspapers reported Monday that Salamon is seeking customers for her story of the holiday. Nigel Dempster, the Daily Mail gossip columnist, quoted furious members of the prince's party as saying Salomon, a friend of Stark's, had vowed not to reveal what transpired on Mustique. "She went down on her knee and promised that she wouldn't tell anyone, at least not until she was 75." Dempster quoted one friend as saying. "She's grown old rather quickly." Meanwhile Captain Mark Phillips, quickly recovering from injuries suffered in a fall from his horse, won the intermediate section of a three-day equestrian event in Melbourne, then flew to Perth in Western Australia to compete in another equestrian event. Phillips, husband of Princess Anne, suffered a badly bruised right calf when his horse fell on him.

* * *

Jackie Onassis attended the opening of China's new Fragrant Hills Hotel, designed by the Chinese-American architect I.M. Pei, who designed the John F. Kennedy Library in Boston. Onassis is on a private tour and has shunned reporters and photographers. Pei barred foreign reporters from the opening of the hotel. The hotel, with 293 suites and 500 beds, is on the site of a Qing emperor's palace in the western hills outside Beijing which was once used as a summer resort and for hunting.

* * *

Massoud Rajavi, an Iranian opposition leader and official of the People's Mujahadin, who lives in exile in France, has married Firuze Bani-Sadr, daughter of Abolhassan Bani-Sadr, the former Iranian president. The ceremony took place in Auvers-sur-Oise, 15 kilometers (9 miles) north of Paris, where Rajavi has lived with Bani-Sadr since July 1981, when he escaped from Iran. On Feb. 8, 1982, Rajavi's wife, Ashraf, was killed in Tehran during an assault by security forces on a house where Mujahadin leaders were staying.

* * *

An unadvertised soloist at the Israel Philharmonic Orchestra's festive concert marking the 25th anniversary of the Frederic R. Mann Auditorium in Tel Aviv was Frederic R. Mann himself. The Philadelphia businessman and patron of the arts, whose name was given to the orchestra's home auditorium, followed Daniel Barenboim to the piano before an overflow audience of 3,000. He played a Chopin waltz to generous applause. The gala program was conducted by Zubin Mehta, the orchestra's music director, but Yehudi Menuhin took over the baton to lead the orchestra in Debussy's "Prélude à l'après-midi d'un faune," after having played Chausson's "Poème" for violin and orchestra under Mehta.

* * *

Mother Teresa has been awarded an honorary doctorate in medicine by the French-speaking branch of the Catholic University of Louvain, Belgium, for her missionary work in Calcutta.